

## FINANCIAL TIMES

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## NEWS SUMMARY

## GENERAL

## Three die in Army bomb accident

Three Royal Marines were killed and two badly wounded when a bomb exploded as it left a mortar barrel during exercises at the Army's Otterburn ranges in Northumberland.

Ten others were treated by Army medical teams for minor injuries. The 9th bomb, according to preliminary investigations, had a faulty fuse.

## Old Bailey exit for the Romans

Mary Whitehouse withdrew her private prosecution against the play The Romans in Britain. She claimed victory after an Old Bailey judge ruled there was a case for National Theatre director Michael Bogdanov to answer under the Sexual Offences Act. His costs will be paid out of public funds.

## Schmidt pressure

Chancellor Schmidt, of West Germany, is expected to press Mrs Thatcher at Chequers today to ease the way for a settlement of the EEC budget dispute.

## Pay row grows

National Union of Teachers' members will step up action over pay next week because of a refusal by the management's negotiators to go to arbitration.

## Shinwell decision

Lord Shinwell, 97, is to resign the Labour Whip in the upper house, but remain a party member. He said "on no account" would he join the SDP.

## Israeli move

Israeli forces occupying the West Bank dissolved El Bireh town council and put army officers in charge. Page 4

## Haughey appeal

Irish Premier Charles Haughey said after talks in Washington with President Reagan that the U.S. should support a unified Ireland.

## Polish resistance

Poland's military rulers accused opponents of organising an armed resistance movement allegedly involved in attacking soldiers, stealing arms and killing a policeman.

## Police probed

A second investigation into allegations against Dorset Police is to be carried out by Yorkshire Chief Constable Sir James Brownlow.

## Cancer birth

Cancer victim Anne Sinclair, 31, of Rugby, gave birth to a girl just four days before dying of the disease.

## IRA supergrass

A top ranking IRA member turned supergrass has given vital information to the Royal Ulster Constabulary on crimes committed by the Provisionals.

## Envoy greeted

The Queen received the diplomatic credentials of Archbishop Bruno Heim, the first Papal ambassador to Britain.

## Gold for Silver

Silver Buck beat stable companion Breggaw to win the Cheltenham Gold Cup. Favourite Night Nurse was pulled up. Racing, Page 16

## Briefly...

Thanksgiving service for Lord Butler's life and work will be held in Westminster Abbey on April 5.

Sir David McNeel, Metropolitan Police Commissioner, is to retire in October. Page 8

TV newsreader Jan Leeming will present the Eurovision Song contest from Harrogate on April 24.

Evangelist Billy Graham will return to England in 1984 to preach in five cities.

## CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES		FALLS	
Treas 12pc 1985...	181 + 5	Steelley	442 + 34
Amerham	194 + 5	Blyvoor	215 + 12
Assed Leisure	100 + 11	Cons Gold Fields	370 + 12
Barratt Devs	255 + 8	Cons Murchison	370 + 15
Capeasels	76 + 4	Old Mns Kalgoolie	190 + 10
Dunlop	374 + 9	Hartbeest	219 + 12
Farnell Elec	640 + 20	Libanon	635 + 56
GE	820 + 10	Possidon	82 + 4
Glaxo	510 + 8	Vaal Reef	2221 + 14
GKN	163 + 3		
Huntley & Palmer	904 + 24		
Imperial Group	370 + 8	Bejam	155 - 4
Lipool Daily Post	180 + 8	Holden (A.)	178 - 4
Marks and Spencer	146 + 4	Sale Tilney	212 - 11
Midland Bank	326 + 8	Turner and Newall	73 - 4
Plessey	378 + 6	Bond Crpn	70 - 12

## BUSINESS

## Equities up 5.4; gold adds \$10

EQUITIES edged up on the lack of fresh selling and GKN's satisfactory preliminary results. The FT 30-share index added 5.4 to close at 556.3. Page 38

GILTS revived on European interest rate cuts. The Government Securities Index closed 0.29 higher at 68.30. Page 38

TOKYO shares continued Wednesday's rally, on news of Kawasaki's subway train order from New York. The Nikkei Dow index rose 183.27 to close at 7,052.8. Page 36

DOLLAR rose on cuts in European interest rates. It closed at DM 2.374 (DM 2.3715), FFf 6.2 (FFf 6.1375), SwFr 1.855 (SwFr 1.881) and Y242 (Y241.15). Its trade-weighted index was 114.3 (113.8). Page 31

STERLING closed unchanged at \$1.81 but rose to DM 4.3 (DM 4.295), FFf 11.22 (FFf 11.1), SwFr 3.415 (SwFr 3.405) and Y438 (Y436.5). Its index was 91.1 (90.7). Page 31

GOLD rose \$10 to \$323 in London. In New York, the Comex March close was \$324 (\$318). Page 31

WALL STREET was up 8.09 at 803.94 near the close. Page 36

GAS OIL and naphtha prices show signs of hardening on hopes of a cut in Opec crude production. Since January the

gas oil futures price has

dropped 20 per cent, the

naphtha spot price 19 per cent.

Gas oil details, Page 37;

NORTH SEA oil exports gave

Britain a rare trade surplus of

\$400m with the U.S. in the first

11 months last year. Page 6

FOSTER WHEELER Energy of

the UK won a \$60m contract to

build a catalytic oil cracker in

Sweden. Page 6

NOVA CORPORATION, the West

Canadian-based energy group,

proposed financial restructuring to

save the Alands synthetic oil project. Page 23

BANK LENDING to the private

sector rose £1.96bn in February,

compared with an average monthly

rise of £1.5bn since August. Back Page

MARKS AND SPENCER and Boots

are among companies backing a

planned co-ordinated effort to

rescue Briston's problems. Back Page

FOOT AND MOUTH disease, confirmed in a Danish dairy

herd, was expected to hit meat exports. Page 37

RAVENSCRAIG pay and production

scheme was agreed after British Steel

warned the Scottish plant's future was at

stake. Page 9

COCKERILL - SAMBRE'S \$470m

aid package was approved by the EEC

Commission but it rejected the Belgian

steel company's modernisation plan. Page 2

KLOECKNER-WERKE, the West

German steelmaker, is to apply for

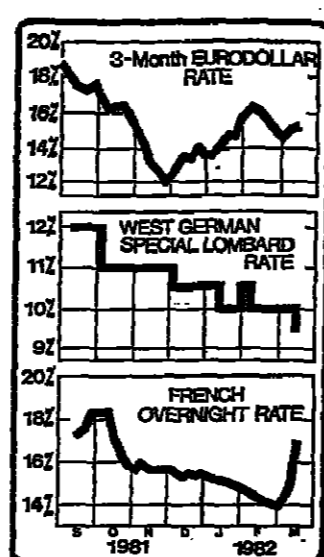
state assistance. Page 33

MONTEDISON chemical workers

blocked access to Brindisi port in

protest at the Italian company's plans to

cut 1,700 jobs. Page 2



## Franc falls sharply against interest move

THE FRENCH franc came under sustained pressure in European foreign exchange markets yesterday, despite heavy intervention by the Bank of France and a 2-point increase in its money market intervention rate to 17 per cent, said Foreign and Financial Staff writers.

The French authorities' efforts to defend the currency contrasted with a concerted move by the West German, Swiss and Dutch central banks, which all cut their interest rates by half a percentage point.

The German "special Lombard rate" was reduced from 10 to 9 1/2 per cent. That, and the Dutch and Swiss rates cut, was

seen as a further effort to free European interest rates and monetary policies from the unsettling influence of U.S. rates.

The Swiss "special Lombard rate" was cut from 10 to 9 1/2 per cent and the Dutch discount rate went down from 8 1/2 to 8 per cent.

Sterling remained steady, which, with the further reduction in German interest rates, eased anxiety that UK interest rates may have to move up in response to the rise in U.S. rates.

The London three-month interbank rate was hardly changed at 13 1/2 per cent although the three-month Euro-dollar rate firmed slightly to 15 1/2 per cent.

In Paris, the franc fell sharply against the dollar, which reached a record level of FFf 6.185—slightly higher than its peak in August last year.

The franc also fell against the D-Mark, which reached FFf 2.6089, compared with FFf 2.583 on Wednesday. The franc now is close to its floor of FFf 2.62 to the D-Mark within the European Monetary System.

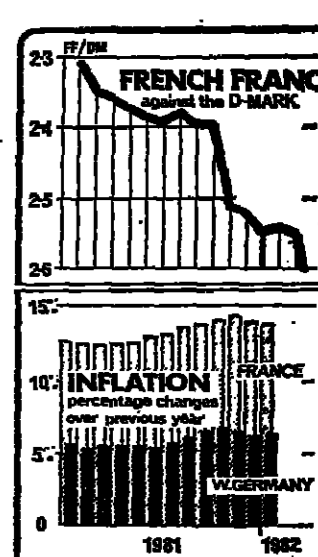
Despite the official support and the rise in interest rates—only 24 hours after the last increase from 14 1/2 per cent to 15 per cent—the market was sceptical about official claims that the French franc would not be devalued.

In a television interview yesterday, M. Jacques Delors, the French Economics Minister, said that devaluation within the EMS was not relevant to the franc's problems. He pointed to the decline of the country's trade deficit from FFf 7.1bn in January to FFf 5.3bn last month.

The franc's difficulty appears to have diverted speculative interest away from sterling, which rose in London by Continued on Back Page

Money Markets, Page 31 Bank lending to industry up, Back Page

Japanese interest rates, Page 4 National Savings interest reduced, Page 5



## Midland puts receiver into Stone-Platt

BY RAY MAUGHAN

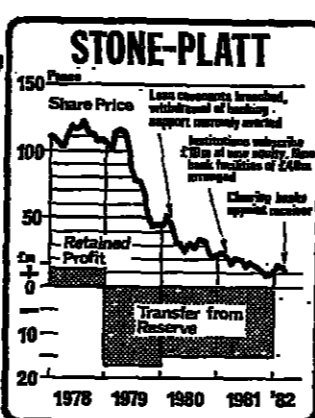
A RECEIVER was appointed by Midland Bank yesterday to Stone-Platt Industries, the textile machinery and engineering group which has had financial restructurings in each of the last two years.

The decision brings to an end attempts by the management to stem an unremitting tide of losses.

The bank's action drew strong protests from four City investing institutions which participated last March in a second reconstruction, under which some £50m was made available to the group.

Mr Leslie Pincott, chairman of Stone-Platt, said yesterday: "I understand the bank's point of view." But he outlined the plans drawn up by the board he believed offered "the most satisfactory outcome available."

These included sale of the textile machinery business, Platt Saco Lowell (PSL), to a U.S. company, John D. Hollingsworth, on NCB. The agreed consideration was £12.75m, of which £2.5m was to have been held in escrow.



PSL was the principal cause of the group's losses in recent years, he explained, while other profitable parts of the company were sold. PSL was retained after last year's reconstruction and was budgeted to break even in the second half of the year.

But "the order book fell away as the recession deepened. We reintroduced temporary working and were scraping around for orders."

## Ezra expects NCB will need grants until at least 1988

BY MARTIN DICKSON AND JOHN LLOYD

THE National Coal Board will probably require Government grants until at least 1988 to help it break even, Sir Derek Ezra, NCB's chairman, indicated yesterday.

This is the clearest public indication of the NCB's medium-term financial prospects to emerge since the collapse last year of a Government plan for the pound to break even without the support of grants in 1983-84.

The Government withdrew its timetable and agreed to a major expansion of NCB grants in February last year when threatened with a national miners' strike over pit closures.

The NCB is to receive £460m of operating grants in the financial year just ending and £380m in 1982-83.

Sir Derek said yesterday that if the board continued on its present path it would have

"very substantially reduced, if not eliminated" its dependence on operating grants by about 1988.

He was speaking at a joint farewell press conference with Mr Joe Gormley, the President

The National Coal Board has postponed payment of between £50m-£60m to its suppliers of mining equipment until the new financial year to enable it to keep within the Government-imposed external financial limit.

Ezra, Gormley farewell, Page 8

of the National Union of Mineworkers. Both retire this year.

Sir Derek and Mr Gormley each gave strong support to the idea of long-term wage agreements in the industry, probably of three years' duration—to avoid the annual

risk of confrontation."

Sir Derek said that "too much time is being taken up with this one issue."

Mr Gormley said that a three-year agreement could have clauses built in for inflation and for changes in Government policy.

Both agreed that they would have "got down to working on it seriously" had they continued in their respective offices. However, Mr Arthur Scargill, the NUM president-elect made clear during his election campaign that he did not favour such a plan.

Mr Mick McGahey, the union's vice-president, said yesterday that "there is no chance of long-term deals being made in the mining industry," while Mr Ray Chadburn, president of the Nottinghamshire miners' union, said he had more drawbacks than advantages.

## GKN shows a return to profit

By Hazel Duffy, Industrial Correspondent

GKN, the largest engineering group in the UK, returned to profit last year. Yesterday's announcement signals the closing phase of the group's restructuring in the UK and confirms that, in some sectors at least the worst of the recession has passed.

Announcing its £34.6m pre-tax profit for 1981 compared with a pre-tax loss of £12m the previous year, GKN, however, sounded a warning note that recovery in the UK was still painstakingly slow. "Current economic and market trends do not yet provide a firm base for optimism about 1982; the recession is not over and much capacity remains under-utilised." The dividend for 1981 is maintained at 8p a share.

The news brought a 3p improvement in the GKN share price, which closed at 163p.

GKN's improved results are in contrast with Wednesday's depressing figures from Turner & Newall and the recent announcement of a £23m loss from Tube Investments.

The turnaround at GKN has been achieved by higher returns from overseas—a trading surplus of £70m against £55m in 1980, due in large part to the U.S. activities—and more cost-efficient operations in the UK, where a trading loss of £18m in 1980 was turned into a surplus of £13m last year.

The rigorous slimming in the UK has cost GKN £11.7m in redundancy costs in on-going activities, taken above the line, and £8.5m redundancy costs in discontinued activities, charged as an extraordinary item. In 1981, GKN made just less than 10,000 employees redundant in the UK, bringing its total job losses in two years to 23,000.

Continued on Back Page Details, Page 28

Long-term economic prospects, Page 8

## U.S. row as Japan wins rail car deal

BY DAVID LASCELLES IN NEW YORK

A POLITICAL storm has broken over a contract won by Kawasaki Heavy Industries of Japan to supply carriages for the New York City underground system.

The deal is financed largely by cheap Japanese government export credits, making it more attractive than a tender from a U.S.-based manufacturer.

Under the contract, worth \$275m (£152m), Kawasaki will make 325 carriages for delivery by mid-1985. The deal is with New York's Metropolitan Transportation Authority (MTA), which has embarked on a five-year \$7.9bn programme to modernise and re-equip the city's rundown mass transit system.

The transport authority made it clear that the financing weighed heavily in the decision to award the contract to Kawasaki rather than to Budd Company, the rival U.S.-based bidder. Two other bidders were Bombardier of Canada and Francorail of France, which both offered government-subsidised finance.

The Japanese Government will finance almost half of the contract at an effective interest rate of 12.25 per cent—well below the rate of interest in the U.S. The rest will be financed locally.

The MTA, sensitive to the controversy surrounding the deal, has issued a long justification of its decision. "The MTA must and will bear in mind its primary fiduciary responsibility to buy the best cars at the lowest possible price," it said.

Like all local authorities in the U.S., the Transport Authority has been squeezed by the Reagan Administration's policy of reducing federal subsidies. New York's parlous financial condition does not help, either. The "buy America" law on local transport

applies only to federally-funded projects.

The deal marks the first purchase by New York of foreign equipment for its underground system and politicians in the State Government have protested strongly about it. The minority leader in the State Assembly has written to the chairman of the MTA demanding that all the carriages it buys be made in the U.S. and in New York State, if possible.

The MTA said that as well as the attractive financing Kawasaki offered, it promised better quality and delivery times than Budd. The carriages, with their stainless steel construction, will be resistant to graffiti artists who have plastered most New York underground carriages with gaudy designs and messages. Stainless steel does not absorb paint.

Although the MTA will be placing further such orders the contract is another nail in the coffin of the U.S. rail equipment industry.

Virtually all of the mass transit systems in the U.S. are being equipped by companies abroad.

Three months ago the Japanese felt they had grounds to complain about U.S. procurement practices when American Telephone and Telegraph awarded a major contract for fibre optics transmission to its own subsidiary, Western Electric, rather than to Fujitsu—even though Fujitsu made the lowest bid.

Background, Page 22

\$ in New York

Mar. 17 previous

Spot \$1.8980-8985 \$1.8948-8950

1 month 0.81-0.85 pm 0.84-0.88 pm

3 months 0.68-0.73 pm 0.73-0.78 pm

12 months 2.30-2.35 pm 2.35-2.38 pm

## Huntley &amp; Palmer bid probe widens

BY RAY MAUGHAN

THE MONOPOLIES and Mergers Commission is to broaden the scope of its investigation into the bid by Rowntree Mackintosh for Huntley and Palmer Foods. The inquiry will also look at a prospective agreed bid for the biscuit manufacturer by Nabisco Brands, the New York-based food group.

Nabisco said yesterday it was "contemplating" an offer which would comprise its common shares to an equivalent value in excess of 120p per Huntley share, with an alternative cash offer equivalent to 115p per share.

Rowntree learnt this week

that its own contested bid had been referred to the Monopolies Commission, and the offer consequently lapsed. It is considering whether to withdraw altogether or to return, given a favourable recommendation from the Commission, in six months' time, and counter Nabisco's proposed terms which, on the share-offer basis, are £10m, or about 14p per share, higher than its own £76m bid.

There are strong indications that Rowntree will maintain its bid intentions through the reference period. The group holds 23.6 per cent of Huntley's shares and Schroder Wagg,

Rowntree's merchant bank, said yesterday: "The thought of dumping that stake on the market is pretty unattractive."

Shares in Huntley climbed 7p yesterday to 90p.

Imperial Chemicals Industries, which faces a Monopolies Commission investigation into its agreed £12.8m offer for specialist coatings group Arthur Holden and Sons, went back into the market yesterday to buy more Holden shares.

ICI, which acquired a state of about 11 per cent on Tuesday, lifted its holding to 14.9 per cent—the ceiling imposed by the Takeover Code.

## CONTENTS

Stone-Platt collapse: sad end of a bright	26	Technology: the UK's miniature oscilloscope	23
Politics today: if the SDP were a restaurant	27	Management: how Pilkington is digesting Flackglass	24
Property column: looks at European Ferries and Woolworth	12	Editorial comment: the nuclear riddle; the need for calm in the Aegean	26
Commercial law: charterers' duty to present complete forms	16	Lombard: Stewart Fleming on how West Germans see détente	27
		Survey: Office Property	17-22

American News	5	Foreign Exchanges	31	Property	12	Unit Trusts:	
Appointments	7	Ind. Companies	32-35	Property Advts.	12-18	Authorised	31
Arms	25	Leader Page	26	Other	18	Others	31
Bank Return	22	Letters	42	Share Information	40, 41	Weather	36
Base Rates	23	List	42	Stocks	42	World Trade	39
Commodities	37	Lombard	27	London	38	World Value S	39
Companies UK	28-30	London Options	29	Wall Street	38	INTERNET STATEMENTS	28
Crossed	26	London	29	Week 26	39	A. & J. Mucklow	38
Entertain. Guide	32	Men & Matters	38	Technology	38	F. W. Thorpe	38
Euromarkets	32	Mining	31	UK	38	ANNUAL STATEMENTS	5
EU 3 Moves	2, 3	Money	31	General	7, 8	Lloyd Bank	28
European Options	28	Overseas News	4	Labour	9	Sale Time	28
FT Actuarial	38	Parliament	10	TV and Radio	10	Salisbury/Sargor	28

Index on page A1, B12, D005

## EUROPEAN NEWS

## France's trade deficit falls in February

BY TERRY DODSWORTH IN PARIS

FURTHER speculation against the French franc coincided yesterday with the release of February trade figures showing a distinct improvement over January.

The Trade Ministry described the seasonally adjusted deficit of FF 5.3bn (£488m) as "globally favourable." By comparison, the deficit in January reached FF 7.1bn (£651m) although last February it stood at only FF 2.8bn (£256m).

Part of the improvement last month was due to a cut in oil imports, along with a more effective containment of textile imports, which grew very rapidly last year. Foreign consumer and household goods sales, however, continued at a high rate. On the export side, France marked up a healthy performance in the processed food sector, with a surplus of FF 1.6bn, and in capital goods (FF 3bn).

Officials said that the trade deficit should continue to run at around a rate of FF 6bn a month, a figure which conforms

with earlier indications that the annual total could reach FF 80bn (£7.34bn) this year. A more neutral performance was registered on prices last month. According to separately-issued figures, inflation remained at 1 per cent in February, the same rate as in January, but slightly higher than the Government appears to have hoped.

On a year-on-year basis, comparing last month with February 1981, inflation is running at 13.9 per cent. Over the past three months it has dropped to an annualised rate of 10.8 per cent.

Although these figures confirm the recent slow-down in price rises, they remain high compared with inflation in most other Western industrialised nations, and particularly West Germany, France's main trading partner.

It is also widely feared that the price index could be hit this month and next by increases in publicly-controlled tariffs for the gas, electricity and railway industries.

## Farmers' leader expects 100,000 in Paris protest

BY DAVID WHITE IN PARIS

FRENCH FARMERS are stepping up pressure on the Mitterrand Government in the midst of the European Community dispute over a new EEC price package.

M. Francois Guillaume, head of the giant FNSEA farmers' union, yesterday announced plans for an "unprecedented demonstration in Paris next Tuesday. He said he expected 100,000 to take part.

The demonstration, the climax to months of smaller-scale protests over farmers' declining living standards, coincides with a scheduled meeting of foreign ministers in Brussels.

M. Guillaume made his announcement after President Francois Mitterrand promised at the weekly cabinet meeting to defend the interests of the country's farmers "resolutely and with doggedness."

Mme Edith Cresson, the Agriculture Minister who has been under strong criticism from the union, said yesterday, after returning from Brussels that Britain had given "the first demonstration, and doubtless not the last, of its desire to block the farm price negotiations."

She said that the argument over a proposal, blocked by Britain, to distil 6.5m hectolitres of surplus wine in order to ease market conditions would be brought up again at the foreign ministers' council.

The date chosen by the farmers for their Paris protest is the same as that of the last big, violent demonstration to take place in the French capital—a mass steelworkers' protest on March 23, 1979, which degenerated into vicious fighting between riot police and fringe groups.

## Commission confirms aid to Belgian steel giant

BRUSSELS — The European Commission yesterday confirmed a \$470m (£260m) aid package for the less-making Belgian steel company, Cockerill-Sambre. But the Commission at the same time reiterated its rejection of the company's overall modernisation plan.

It was Brussels' refusal to accept the modernisation plans which prompted a strike, now in its fourth week, and a series of protests by steelworkers determined to avoid new job losses.

The Belgian Government had requested approval from the Commission to spend some \$630m on Cockerill-Sambre to accomplish a five-year restructuring plan worked out last year. The Commission says that the plan, designed to make the company viable by 1985, will lead to continued heavy losses in that year and needs modifications likely to involve further job losses and a reduction in crude steel capacity.

A spokesman said yesterday that the aid approved was for investments which the Commission believes will improve viability and should not assist contested elements of the plan—in particular the construction of a new continuous casting mill at Liège.

Giles Merritt adds: In the wake of violent clashes in Brussels earlier this week between 10,000 Cockerill-Sambre steelworkers and riot police squads, the Socialist FGTE union, with its power base in the steel and engineering industries of French-speaking Wallonia, has called a general strike for March 26.

At the same time, the leading CSC Christian Union has decided to match the Socialist 24-hour shutdown with a mass march of some 100,000 people on Brussels the following day. The FGTE action is being seen as a challenge to the Government's authority, and seeks to widen the union's confrontation over steel to other sectors, while the CSC protest is against recent proposals for slashing social security payments. The announcement of the two-pronged union action coincides with the announcement that Belgium's oilless total has risen to 453,000.

## Geneva talks: slow progress as gap persists

BY BRIDGET BLOOM, DEFENCE CORRESPONDENT

AFTER four months of talks in Geneva, the U.S. and the Soviet Union are still very far from reaching an agreement to limit nuclear weapons in Europe.

The two nuclear super-powers opened negotiations on so-called theatre nuclear weapons on November 30. This week, they have gone into recess for two months, having agreed neither on the negotiating method to be followed nor on the fundamental issue of which weapons should be reduced and by how much.

Senior U.S. officials believe that contrary to appearances, however, progress has been made in the 24 sessions held so far. They insist that both they and the Russians seriously want an agreement. They still hope that an accord will be achieved by late 1983, the deadline set for the deployment of new U.S. Cruise and Pershing nuclear missiles in Europe.

The fact that the arms talks have been taking place in Geneva (even though both sides have so far respected the rules of confidentiality) has

helped calm anti-nuclear pressure within Nato, five of whose European members have agreed to deploy 464 U.S. Cruise and 108 Pershing missiles from 1983.

European governments nevertheless remain worried that any sign of failure in Geneva could reactivate domestic pressure. They believe that the Soviet Union, in its latest offer to freeze European nuclear weapons at present levels, is designed as a propaganda move to deepen the divisions between Europe and the U.S.

A moratorium on theatre or intermediate range nuclear weapons in Europe, it is understood, has been part of Soviet strategy at Geneva since last November. The Russian delegation, led by Mr Yuli Kvititskiy, made it clear from the outset that Moscow wanted both sides to declare a moratorium or freeze on existing weapons. It suggested that both sides should sign a statement of intent to reduce weapons further, and should then proceed to negotiate a full-blown treaty.

The U.S. team, however, under

the leadership of veteran arms negotiator Paul Nitze, early on submitted a draft treaty for negotiation. The two methods are not seen as necessarily mutually exclusive, but have certainly not been reconciled yet.

Meanwhile, on the fundamental issues of which weapons should be reduced and by how much, the two sides seem as far apart as ever.

The Russians are reported to be upset that President Reagan "stole the high ground" with his so-called "zero option." The U.S. draft treaty is believed to have embodied this: it calls for the phased dismantling of all Soviet SS-20 and the older SS-3 and SS-5 missiles both east and west of the Urals. In return, the U.S. would not deploy (or would dismantle if deployment has begun) the U.S. Cruise and Pershing missiles in Europe.

The U.S. maintains that its new Cruise and Pershing missiles are necessary to balance the greater numbers of Soviet land-based missiles,

especially the SS-20s. The U.S. has, however, accepted that nuclear-capable aircraft also pose a problem. In an important step, the U.S. delegation offered to negotiate limits on aircraft once agreement has been reached on the land-based missiles.

The Russians, meanwhile, have maintained at Geneva that there is currently a balance of nuclear forces in Europe, and that the deployment of the 572 missiles would grossly distort it. The Russians have had to indulge in "very creative accounting" to argue this case, said one Western official.

To match the Soviet total of nearly 1,000 nuclear systems (launchers not warheads), the Russians have included, on the Nato side, U.S. nuclear-capable aircraft both in Europe and in the U.S. as well as the British and French nuclear forces. Britain, France, Nato and the U.S. are all adamant that the latter shall not be included in any U.S.-USSR arms agreement. The numbers game is a key starting point, but the main

Western criticism is reserved for the end result of the Soviet proposals. These are for a reduction in two phases over the next eight years, which would leave both sides with 300 systems each.

This would leave the Nato side with the French and British nuclear weapons (in Soviet calculations more than two-thirds of the total) and with a reduced number of U.S. aircraft.

The Soviet reductions would not touch most Soviet nuclear-capable aircraft and would leave their most modern land-based system, the SS-4s, intact at the present deployment of 300.

Western diplomats say there is as yet no sign of an official Soviet position on either side. U.S. officials maintain that the zero option stands, while they say that the Soviet Union is obviously keen to get an agreement on its own terms. Only that proves impossible will there be a strategy switch, they say. But they maintain that four months is too soon for either side to have to make that kind of move.

## Striking chemical workers disrupt Italian city

BY JAMES BUXTON IN ROME

STRIKING CHEMICAL workers yesterday blocked access to the port and other strategic points in the southern Italian city of Brindisi as part of continuing protests against plans for large-scale sackings by the Montedison chemical concern.

The Milan-based company, which is making heavy losses, appears to be standing firm in its determination to sack 1,700 workers at four production centres. The largest number of jobs would be lost at Brindisi. The sackings are due to go out today.

On Wednesday, the Govern-

ment broke off talks with Montedison on restructuring of the chemical industry as a result of Montedison's refusal to heed its pleas to stop the sackings. In the past few days Brindisi, the main port for traffic between Italy and Greece, has been partially paralysed by different forms of action by chemical workers.

Yesterday, they prevented the opening of banks and the central post office, as well as blocking ferry traffic. The Government fears the situation could deteriorate into a serious breakdown of order.

Montedison claims that the sackings, which follow the laying-off of around 7,000 workers last year, are essential to reduce losses and cut out redundant loss-making plant. The company is desperately trying to stem losses which amounted to almost £300bn (£130m) in the first half of last year.

Part of Montedison's recovery strategy, however, depends on reaching agreement on the future structure of the chemical industry with the state-controlled companies, Anic and Enoxy, which come under the ENI group.

Talks have been continuing for months on a transfer of plants between the public and private sectors of the chemical industry. It has been expected that ENI would concentrate more on basic chemicals and Montedison on higher value secondary products.

Montedison had hoped to gain up to £500m from ENI for the transfer of plant, especially in southern Italy. But it argues that the sackings programme, an essential strategy that has nothing to do with the longer term restructuring.

## Parliament may debate gangland allegations

BY RUPERT CORNWELL IN ROME

THE ITALIAN Parliament is likely to hold a debate on allegations that two Government ministers last year visited a jailed Naples underworld leader to secure his aid in channelling a £1.5bn (£630,000) ransom to Red Brigades terrorist for the release of Sig. Ciriolo, a local Christian Democrat politician. The charges, backed by

supposedly secret Interior Ministry documents, have been published by L'Unita, the Communist party newspaper. They have been denied, however, by the two ministers (both Christian Democrats), and Sig. Virginio Rosmini, the Interior Minister, has declared the documents false.

The episode has provoked a bitter row between Italy's two biggest parties. Although it is

unlikely to lead to immediate repercussions for the five-party coalition in Rome, it seems certain to provoke the collapse of the minority Communist-led city government in Naples.

In retaliation, the Communist attack, the Christian Democrats have withdrawn their support for the municipal administration of Sig. Maurizio Valenzi, the Communist mayor. A new round of local elections

this summer in Naples are now a strong possibility.

It has emerged since Sig. Ciriolo's release last July that a ransom was paid. But the Christian Democrats, who refused to deal with the Red Brigades in 1978 when they held Sig. Aldo Moro, the late Prime Minister, have insisted all along that only Sig. Ciriolo's family and close local political associates were involved.

## Soviet meat and milk output down

By David Buchan

MEAT AND MILK production in the Soviet Union fell 5 per cent in the first two months of this year compared to the same period of 1981, the official Economic Gazette reports.

The decline reflects feed grain shortages following the third successive poor harvest in the Soviet Union, despite continuing heavy Soviet purchases of U.S. grain, amounting to 13.3m tonnes since last October. The meat position is likely to remain critical at least until livestock can be put out to pasture in the summer and the 1982 harvest comes round.

Meat production in January and February this year reached 2.55m tonnes—a rate well below that called for in the 1981-85 central plan, which forecasts an average 17-17.5m tonnes a year. President Ronald Reagan has also reduced, to consider a grain embargo as a sanction against the Soviet Union for its involvement in the martial law crackdown in Poland. Moscow has yet to publish a figure for last year's grain harvest, leading to speculation that it was so bad as to be embarrassing to the Soviet leadership.

## Stronger dollar helps industry in Scandinavia to compete against U.S.

BY ANDREW FISHER IN HELSINKI

NORTH AMERICA's cost advantage over Scandinavia in the pulp and paper industry has been deeply eroded by the rise in the value of the dollar, delegates were told yesterday on the second day of a Financial Times conference in Helsinki.

Mr George Boyd, Vice President of Kidder, Peabody, the New York investment house, said the strengthening of the dollar had dramatically improved the competitive cost position of Scandinavian market pulp mills against North America over the last 19 months.

He was speaking at the European Pulp and Paper in the 80s conference, organised by the Financial Times in co-operation with Helsinki Sanomat, the Finnish newspaper.

Total costs, excluding transport, appeared to be lowest in Brazil, about equal in the various parts of North America and somewhat higher in Scandinavia he told delegates.

But the transport differential eliminated the differences between North America and Scandinavia. "In fact, some sources indicate total markets pulp manufacturing costs are currently lower in Scandinavia than in North America," he added.

Mr Boyd said Scandinavian producers clearly had a considerable advantage over mills in North America and Brazil in the cost of transporting pulp to Western Europe. Scandinavian companies appeared to have a transport cost advantage of \$30-40 a tonne.

As for wood costs, the average cost per tonne of market pulp in the U.S. is estimated at \$110—slightly more in Canada—compared with around \$175 in Scandinavia. The cost in Brazil is \$40-45 a tonne, he said. Discussing energy, a major cost element, Professor Peter Odell told the conference that energy prices were likely to fall in real terms.

Professor Odell, Director of the Centre for International Energy Studies at Erasmus University, Rotterdam, said there was a 60 per cent likelihood of a continued steady decline in oil prices in real terms for the next five years or so.

There was a 25 per cent chance of prices collapsing and a 15 per cent chance that oil prices would be maintained or increased from their end-1981

value (in real terms after accounting for inflation).

In the non-Communist world he expected a low rate of increase in energy consumption this decade. Even in the Communist world, where energy had generally been used inefficiently, there were now growing pressures to reduce its use.

Thus overall demand for oil was unlikely to grow very much, if at all. As for oil supplies, he saw no possibility of scarcities arising in the 1980s or 1990s.

Taking an opposite view of the energy scene, Mr Arild Holland, Managing Director of the Norwegian Pulp and Paper Association, said oil prices were likely to show a rising long-term trend, in actual and real (inflation-adjusted) terms.

He noted that some governments and organisations, such as the International Energy Agency had been trying to promote the use of wood and biomass to replace imports of fossil fuel, especially oil.

"What really worries me is the risk that the use of biomass, stimulated by government policies, incentives and subsidies will threaten the availability of traditional raw materials for the forest industries," he commented.

Thus he thought that governments and local authorities should give no further incentives for developing consumption of wood for energy without considering the possible negative effects on the forest industries. For Norway, a net exporter of oil, the problems surrounding biomass were not, however, acute.

Whereas power and heat accounted for only just over 5 per cent of the total cost of Norway's pulp and paper industry in 1973, they now make up between 20 and 25 per cent, more than manpower in some cases, Mr Holland pointed out.

He said new pulp capacity was due to be boosted in Norway by more than 50 per cent during the 1978-82 period, rising from 650,000 tonnes a year to nearly 1m tonnes.

Also dealing with the impact of currency movements on the industry, Professor Pentti Korvi of New York and Helsinki universities, said the dollar was "grossly overvalued." He expected it to fall, but declined to forecast when.

Oil prices would also drop. This would not be an unmitigated blessing, however, though it would undoubtedly be of long-term benefit for world economies. But the flow of funds onto international capital markets would be reduced, while

## FINANCIAL TIMES EUROPEAN PULP AND PAPER IN THE 80s CONFERENCE

some industrial investments were based on high oil costs, an apparent reference to expenditure with an energy-saving element.

He said the dollar's value was 4 per cent above the level of May 1970, when exchange rate alignments started. It was also stronger than after the 1971 and 1972 devaluations, thus causing "a dramatic reversal in the international competitive position of the U.S. economy."

Turning to the effects on the industry of new media, Mr Jaakko Rauramo, Executive Vice President of Sanoma Corporation, owner of Helsinki Sanomat, said the newspaper, magazine, book and print advertising businesses would have to switch to an aggressive to a defensive strategy.

The most important new television, especially in the medium, he added, was cable satellite era. There were about 4,000 cable TV network com-

panies in the U.S., nearly all linked to a satellite. "This makes the delivery of programmes to cable networks exceptionally efficient and inexpensive."


He felt, however, that the paper manufacturers were more interested in their own problems than in solving the problems of publishers and printers arising from these new developments.

Mr Finn Kern, Deputy Manager of the Association of Danish Newspaper Publishers, said new electronic media represented a great opportunity, but also a serious challenge to newspapers. But he thought most publishers felt newspapers would easily overcome the problems of the decade.

Ann Burdus, Senior Vice President and Director of Strategic Planning at the Interpublic Group of Companies of New York, dealt with the question of packaging. She described packages for consumer products as "a more important element in the marketing mix than before," with new demands now being placed on them.

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## EUROPEAN NEWS

## Accident rate up in Polish mines

By Christopher Bobinski in Warsaw

THE accident rate in Polish mines has risen since last December's imposition of martial law—is rising rapidly, reflecting a continuing willingness by management to report the sort of incidents which in pre-Solidarity days would have been concealed.

So far this year, there have been 14 deaths in the country's mines, and a total of 5,642 accidents have been reported.

The figures were announced in parliament yesterday by the Minister for Mines, General Czeslaw Piotrowski, who also emphasised, however, that output this year had risen by some 14 per cent.

Last year, when Solidarity was still functioning and miners and management were encouraged to report anything going wrong in their sections—the number of mining accidents rose by 100 per cent from 11,200 in 1980 to 22,300.

Output last year in Polish mines fell by 15 per cent, as the working week was cut from six days to five and more liberal working practices were followed. The drop in production was accompanied by a fall in the number of fatal accidents, from the 1980 total of 127 to last year's figure of 89.

A leading Polish Party Politburo member, Mr Kazimierz Barcikowski, speaking in Krakow, has meanwhile admitted that the Party leadership "sees the need for a quick resumption of trade union activity."

The statement came at a Party meeting where, according to the published account, speakers said that many problems could be resolved more easily with the return of trade unions. But neither this account for a document produced by the Central Committee department responsible for union policy provides any indication that the authorities envisage a return to the old-style Solidarity nor any kind of meaningful talks with the union's interned leadership.

Uncertainty yesterday still surrounded the question of whether the interned leader of Solidarity, Mr Lech Walesa, would be permitted to attend the christening of his baby daughter in Gdansk on Sunday. Both his wife, Danuta, and Father Henryk Jankowski, his parish priest, seemed pessimistic about the prospects.

## W. German company finances easing says Bundesbank

BY STEWART FLEMING IN FRANKFURT

THE FINANCIAL resilience of the West German corporate sector began to improve in the second half of last year following two years during which corporate profits have been coming under increasing pressure.

This is the conclusion reached by the Bundesbank in an analysis of the performance of the economy and the development of corporate profits in the second half of 1981 contained in its monthly report for March.

The report is released today in the wake of the decision by

the Bundesbank Council yesterday to take another step in the direction of easing its monetary policy by dropping its "special Lombard" rate, the rate it charges banks for overnight funds, from 10 per cent to 9.5 per cent.

The cut in the Lombard rate was welcomed by industrialists and bankers. It was seen as a further sign of the central bank's willingness to try to ease interest rates down to help revive the still stagnating economy, even in the face of continued uncertainty about the

outlook for dollar interest rates and the problems this creates for the D-Mark.

The cautious half a percentage point cut in the Lombard rate will be a disappointment for those, in particular the trade unions, who have been hoping for bolder steps from the central bank. These hopes had increased in the past two weeks following signs that this year's wage round will result in moderate wage increases below the current rate of inflation.

This week, however, the easier trend in West German

credit market interest rates has been translated into further cuts in the cost of money, not just to the banks, but also to their customers.

Thus, at the beginning of the week Deutsche Bank, the largest West German commercial bank disclosed that it was cutting consumer credit interest rates by between half and a full percentage point. The cost of a four-year personal loan for example has been reduced from 16.24 per cent to 15.32 per cent. Through most of last year the rate was 17.15 per

cent. Short-term business loan charges are also falling in response to recent declines in rates in the credit markets. Other banks have been following suit and also cutting interest rates.

In its monthly report, the Bundesbank makes it clear that the improving financial position of companies is partly the result of signs that the profits fall may have bottomed out. It is also a reflection of the efforts the companies have been making both to cut back on stocks and curb investment in order to

improve their self-financing capacity.

The central bank estimates that the corporate sector's self-financing ratio improved to 90.5 per cent in the second half of 1981 compared with 79.5 per cent in the first half. It concludes that this stronger financing base, coupled with lower interest rates and the moderate wage round now expected, should make it easier for companies to increase investment spending. The fall last year and is still thought to be declining, according to industrialists.

## Bonn coalition drifts into a dangerous mood

BY JONATHAN CARR IN BONN

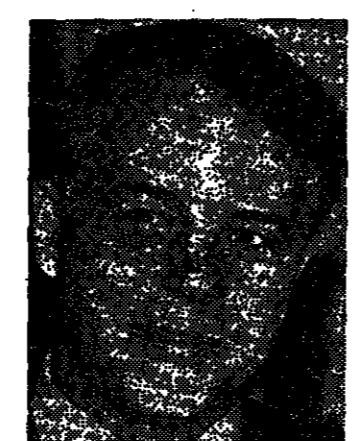
"THE HEROES are weary," said a senior member of the West German government coalition the other day with a sad smile. He had been asked why he felt the Social Democrat (SPD) and Liberal Free Democrat (FDP) partners were in such poor shape, above all on the eve of a series of provincial elections which might decide the Government's future.

Not only do the two parties—alikes for nearly 13 years—treat one another with a suspicion verging on hostility. They bicker in their own ranks as though privately yearning for the opposition benches and freedom from government responsibility.

At first sight, the suggestion that the parties are simply tired seems a rather poor answer. Surely there are any number of clear difficulties which explain the coalition's plight.

At home there are already signs of new federal budget problems, of the kind which brought the SPD-FDP to the brink of a split last year. Abroad, the Polish crisis and the tough stance of the U.S. Administration bring special pressures to bear on the Bonn Government, which is simultaneously trying to salvage what it can of its Ostpolitik while convincing its allies that its place in the Nato alliance remains as firm as ever.

Further, every deterioration in East-West relations makes it seem more likely to many West Germans—especially young ones—that nuclear arms control talks will fail and that new U.S. missiles will be deployed in the country. Hence the rise in support for "the Greens" and other groups involved in the so-called "peace movement," and the dissension in both govern-



MORE THAN 5m people in Lower Saxony go to the polls on Sunday in the first West German state parliament election since the general election of October, 1980.

The result is expected not only to give an important pointer to the level of public support for Chancellor Helmut Schmidt's severely-strained Social Democrat (SPD) Liberal Free Democrat (FDP) coalition in Bonn. It should also show whether "the Greens," the small ecological party, can consolidate its success in recent municipal

elections.

At the last Saxony election in 1978, the Christian Democrats, who are in opposition at federal level in Bonn, won 46.7 per cent of the vote and make up the state government. The SPD gained 42.2 per cent and the FDP won only 4.2 per cent.

The state Premier, Dr Ernst Albrecht (left) will also be looking on Sunday to strengthen his claim as a future Chancellor against his rival, Dr Helmut Kohl (right), the Christian Democrats national leader.



His recent efforts to appear more open to alliance with the Christian Democrats, however, immediately brought a revolt from his own left wing. Herr Genscher is famed as a political tactician. But even he finds it hard to master a situation in which cautious movements either to the political left or right immediately loses him support at the other end.

If the Christian Democrats and Christian Socialists were wholly united in the desire to bring down the Government quickly, then the chance of success would be quite good, but an early change in Bonn would not be welcome to several key opposition figures.

Dr Helmut Kohl, the CDU leader, would almost certainly become Chancellor if the SPD-FDP were to be toppled in the next year or so, but he has his rivals, who could strengthen their claims by doing well in provincial elections. One is Dr Ernst Albrecht, Premier of Lower Saxony, who is looking for a boost from Sunday's polling there.

Another is Dr Gerhard Stoltenberg, Premier of Schleswig-Holstein, where elections are due next year. Last but not least, there is the ubiquitous Herr Strauss, who seems certain to consolidate his power in Bavaria this autumn.

The upshot is that the opposition, despite its strong rhetoric, remains a resistible force. The government coalition stays put although it looks to be a highly movable object, and "the Greens" hover in the background as potential spoiler to both. It is a peculiarly unsettling political constellation for the staid-minded West Germans.

## Portuguese seamen again on strike

By Diana Smith in Lisbon

PORTUGAL'S merchant navy has gone on strike for three days. It will affect all 96 vessels of the Portuguese fleet and incur losses estimated at \$5.7m.

The seamen's strike, one of several in the past year, follows hard on the heels of a 19-day train drivers' stoppage that lost the crippled railway system \$400,000 a day.

The Communist party and its tied trade union confederation, CGTP-Intersindical, have vowed to keep up labour pressure until the Government falls. The merchant seamen's repeated strikes are seen as part of this pattern: they have lost many badly-needed orders for national shipping companies and seriously undermined international confidence in the fleet.

The Prime Minister, Sr Francisco Pinto Balsemão, meanwhile is spending two days in Athens learning how Greece has adjusted to European Community membership. Sr Balsemão has made a marathon tour of EEC capitals since the beginning of the year, in the hope of rallying support for Portugal's speedy accession.

As he left Lisbon, the Prime Minister said that he considered the visit to Athens would be particularly useful. Greece is the latest EEC member and he would be able to see first-hand the consequences of accession for the Greek economy.

Portugal hopes to complete its negotiations for membership and sign the accession treaty by the end of this year.

## Madrid confirms Basque fines

MADRID — The Spanish Government has approved fines totalling Ptas 35m (£133,000) on the organisers of a rally where Basque separatists burned a Spanish flag.

The four organisers and the radical Basque nationalist coalition Herri Batasuna were fined Ptas 5m each as bearing responsibility for incidents at the rally in San Sebastian on March 7.

An explosion on Wednesday night wrecked a power transmission tower near San Sebastian, owned by Iberduero. The company is the target of a bombing campaign by Basque guerrillas opposed to a nuclear power separatist guerrilla group. Reuter.

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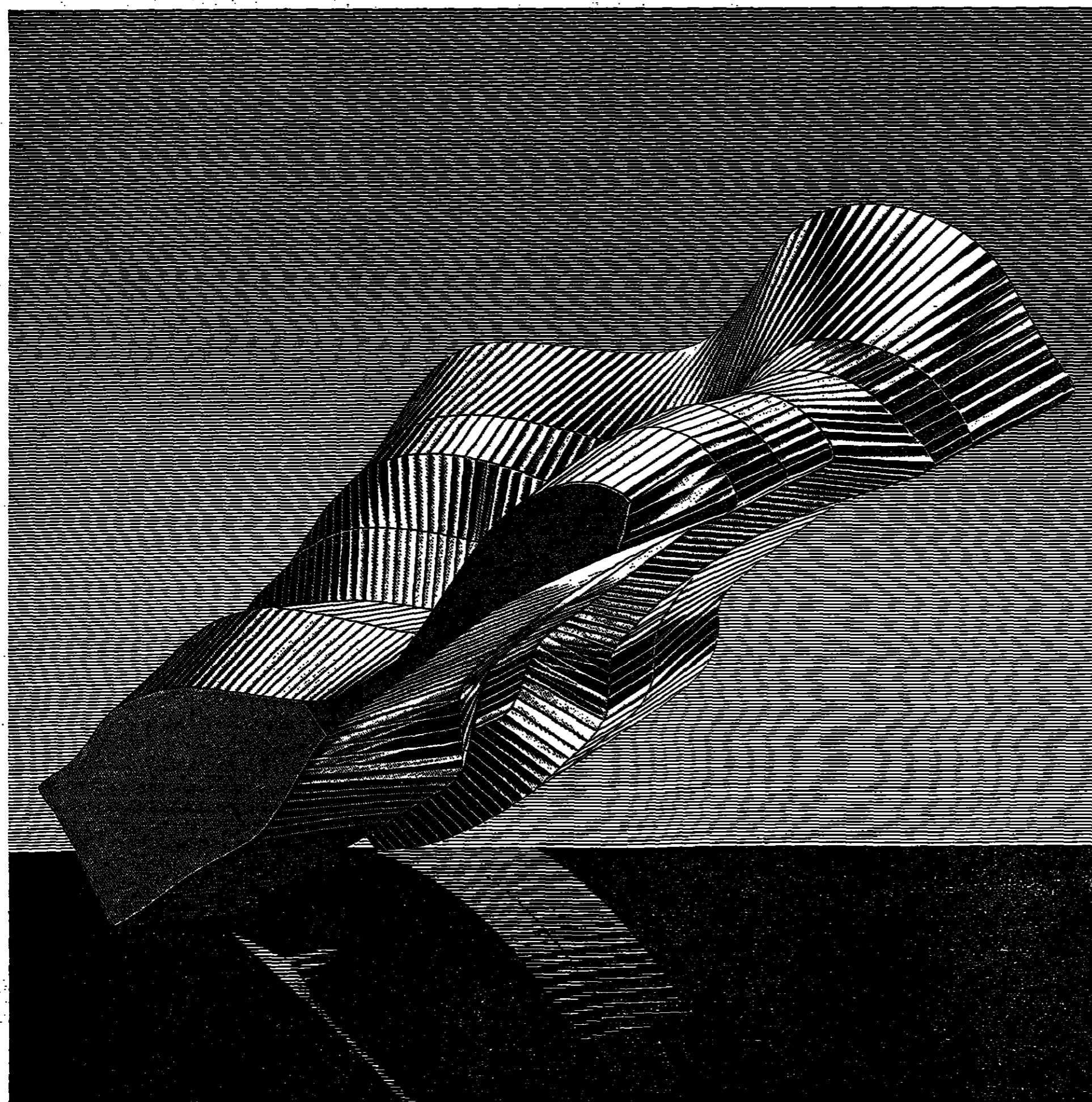
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## OVERSEAS NEWS

## Saudis face pressure to cut oil output

By Richard Johns in Vienna

SAUDI ARABIA will come under intense pressure at the emergency meeting of the Organisation of Petroleum Exporting Countries (Opec) starting here today, to lower still further its output ceiling, as the only means of maintaining the price structure of the producers' association.

Whether or not the Kingdom is prepared to cut its maximum ceiling from the 7.5m barrels a day (b/d) set nearly two weeks ago, to a minimum of 6m b/d the prospects of an effective agreement being reached are very poor, according to members of the first delegations to arrive here.

An Opec total target of 18.5m b/d, involving a notional reduction from a supposed level of 20m b/d was set tentatively at an informal gathering of seven Opec Ministers—those of the seven Arab members, Nigeria, and Indonesia—in Doha, Qatar on March 6. But actual output has been calculated to be as low as 18.2m b/d in the early part of this month.

Dr Mansur al Otaibi, the United Arab Emirates Minister of Oil and current Opec President, frankly admitted the problem yesterday. He said: "I think we will have to look for a lower figure than 18.5m b/d. We are willing to go all the way," he said, to cut production to defend the \$34 reference price, which was established only three months ago, at Opec's last ordinary conference in Abu Dhabi.

Failure to agree on a significant Saudi production cut could result in Nigeria, whose foreign exchange reserves have slipped to a dangerously low level, and whose oil production has begun to fall ominously again, breaking ranks and cutting its price. It now charges \$36.50 a barrel compared with the \$31 being charged by the British National Oil Corporation for North Sea crude, Nigeria's main competitor.

There has been speculation—but no confirmation—that Saudi Arabia has undertaken to support Nigeria with soft-term loans until the market has been brought into some kind of equilibrium.

Sen. Humberto Calderon Berti, the Venezuelan Energy Minister, said he did not believe that the 18 members could reach a "formal decision."

J. D. F. Jones in Johannesburg reports on the debate over changes to the apartheid system

## South African society conducts a dialogue of the deaf



Dr. Treurnicht (left) and Mr. Botha . . . split over power-sharing plan.

OUTSIDERS sometimes seem to believe that political thinking in South Africa is rigid, as well as reactionary, that apartheid is unchanging and unchangeable. They are wrong, and one proof is that the country is today going through a ferment of debate in which the very fundamentals of society are being questioned.

The ruling National Party is this month in convulsions over whether, or how, to share white power with the coloured people (of mixed race) and Indians. The Government's own President Council will next month produce proposals for a restructuring of the constitution; the "Buthezi Commission," set up by the leaders of the largest legal black political organisation, last week published a far-reaching report calling for black-white power-sharing in the province of Natal; and every politician worthy of the name has a private blueprint for a new system which, somehow, might bring harmony to this deeply divided nation.

The trouble is that it is a dialogue of the deaf. The Government, for instance, rejected the Buthezi Commission proposals out of hand. The Right wing of the National Party has split, rather than accept its own Prime Minister's definition of "healthy power-sharing." The President's Council is boycotted by the white opposition Progressive Federal Party (PFP)—and anyhow has no brief from the 20m black majority.

Moreover, it is a debate which is lopsided from the start, for it is taking place only in officially-sanctioned institutions and parties: the illegal but

undoubtedly popular African National Congress (ANC), and the loosely-organised black consciousness leaders, will talk only about universal-suffrage in a unitary state.

The text for the latest debate on the political system for the coloured and Indian communities comes from a Cabinet committee that was set up in 1977, under the chairmanship of the present Premier, Mr. P. W. Botha.

At the time the National Party Government, confident that it had firmly established the apartheid system for the blacks—who were to be content with a network of tribal homelands—could turn to the issue that had worried all morally-minded Afrikaners since separate development was first dreamed up: where to fit in the 2.5m coloured people who, as the mixed-race

descendants of the Afrikaners, palpably did not have their own territorial homeland.

The 1977 committee thrashed out a plan under which, in the words of the Survey of the Institute of Race Relations: "The white, Indian and coloured minorities will each have their own parliament, which will legislate on matters pertaining exclusively to the group concerned, for example education and housing."

Matters of mutual concern will be dealt with by a Council of Cabinets on which all three racial groups will be represented, legislation being adopted by consensus wherever possible. Ultimate power will be with an elected Executive State President.

The principle of proportional representation will be applied in regard to the membership of all the new

bodies to be created, using the ratio four white : two coloured : one Asian : the Council of Cabinets will be composed of the three Prime Ministers and other Cabinet Ministers from each parliament, their numbers to be determined in accordance with this ratio." The whites thereby maintain a majority.

The Prime Minister and his supporters are now arguing, with what looks like justification, that Dr. Anthonis Treurnicht and his Right-wing rebels are being disingenuous when they say that they never realised the 1977 proposals implied power-sharing with other communities.

The struggle has been conducted in full public view, with the Prime Minister having to issue statements insisting that this species of power-sharing is logical, that it does not jeopardise self-determination, and—Heaven forbid—that it has nothing in common with the opposition PFP policy of power-sharing (since that presupposes a unitary, if federal South African State).

To the outsider, this begins to sound like medieval talk of angels dancing on the point of a pin—and, of course, the Afrikaners are a theologically-minded people. But it matters enormously, because it will decide whether the Prime Minister has the power, and the will, to introduce reform policies in South Africa.

Next month the President's Council, an advisory body which has succeeded the senate, is to come up with constitutional proposals relating in the first instance to regional and local government.

The Prime Minister has pro-

### Kaunda 'wants to meet Botha'

PRESIDENT Kenneth Kaunda of Zambia has told the Johannesburg Star newspaper that he would like to meet Mr. P. W. Botha, the South African Prime Minister, and his Cabinet to discuss "potentially explosive" developments in southern Africa. Subjects for discussion should include independence for Namibia and racial tensions in South Africa, Dr. Kaunda said. He would meet the South Africans anywhere "as long as it is not a hidden meeting."

Trade pact extended, Page 6

misled that they will be debated thoroughly, possibly in a national referendum, before any policy decision is taken, so the pot will continue to boil.

The argument is not really focusing on Parliament, although the PFP and the smaller New Republic Party (NRP) both have their versions of power sharing. It has become a struggle for the National Party, where the opposition to Mr. Botha and his concern for the role of the Coloureds is certainly not limited to the 16 MPs who have so far left the party.

The Treurnicht position, crudely, is that power-sharing represents the thin end of the wedge; that white South Africa can only survive if it rigorously isolates the various racial components of the nation; and that the white man must remain

supreme in his own territory, ie outside the black "nation-states."

This is where the Buthezi Commission has interrupted the argument. This high-powered multiracial commission, which included politicians, academics and businessmen such as Mr. Harry Oppenheimer, unanimously rejected the official homeland policy and, looking specifically at Natal, argued for a close relationship of the territories covered by the white-ruled province and chief Gaisa Buthezi's Zululand.

Power-sharing is again the answer—but this time it must be between white and black in a non-racial regional authority with a joint executive and a joint legislature though still as part of an overall South African state.

Not surprisingly, these ideas are anathema to Mr. Botha, as they are to Dr. Treurnicht. They have also been rejected by the NRP, which governs the province.

But they are still part of the great debate, along with a report by the distinguished Pretoria economist, Professor Jan Lombard, which ruled against the viability of Kwazulu, and the Quail Commission on the Ciskei, which amounted to a formidable dismissal of the homeland policy.

As evidence of black impatience mounts, it seems to many moderates that power-sharing offers the best halfway house towards a more permanent and more desirable South African system.

To Mr. Botha's national party, of course, it offers the ultimate point towards which the whites could move.

## Second Indian state government resigns

By K. K. Sharma in New Delhi

PRIME MINISTER Indira Gandhi's Congress (I) Party was jolted again yesterday when, for the second successive day, a state government it had formed was forced to resign.

Mr. Keshab Chandra Gogoi, Congress (I) Chief Minister of the oil-producing state of Assam, resigned before a no-confidence motion against his Government could be taken up by the legislature.

The Congress (I)-led coalition in the southern state of Kerala resigned on Wednesday after it lost its majority and President's Rule (direct rule from New Delhi) was imposed. President's Rule has also now been imposed on Assam, which has been affected by a statewide students' agitation for over two years.

The students are seeking the expulsion of "foreigners"—mostly immigrants from Bangladesh and Indians from West Bengal—from Assam on the grounds that their culture is threatened and they are losing job opportunities.

The agitation led to the loss of 3m tonnes of crude oil in 1979-80.

The Assam and Kerala developments underscore the crisis in Mrs. Gandhi's Congress (I) Party. It is sharply divided and disorganised in a number of states where elections should be held in the next few months. For this reason, the party is trying to delay the elections.

The problem is particularly acute for the party in the Marxist-ruled state of West Bengal, where the term of the legislature expires in June. The Chief Minister, Mr. Jyoti Basu, has sought early elections to prevent Mrs. Gandhi from imposing President's Rule in the state.

This would give Congress (I) an advantage because the Marxists would then not be in power. The ruling party has the advantage in elections of being able to use the Government apparatus, or at least prevent its opponents from doing so.

The Congress (I), which is hopelessly divided in West Bengal, is challenging the validity of the electoral rolls before the Supreme Court.

## Japan interest rates may move

By Richard C. Hanson in Tokyo

JAPANESE long-term interest rates, which are strictly controlled by the Finance Ministry, may be lowered in the next few weeks to give the economy a much-needed psychological boost. But the Government is unlikely to approve anything more than a very small decline to avoid weakening the yen or disrupting the bond market.

Officials have been encouraged by a recent improvement in bond market prices. From early this month, yields on the secondary market have slipped below that of issuing yields on long-term government bonds.

A 10-year bond carries an annual yield at issue of 8.015 per cent, while market yields have fallen to about 7.7 per cent. Officials are cautiously waiting to see if this favourable trend will continue before taking a decision to lower rates.

In January the Ministry allowed a small 0.3 per cent rollback in coupon rates and the long-term prime lending rate now 7.7 per cent and 8.6 per cent, respectively. In September the Government was forced to increase the coupon on its ten-year bonds to 8 per cent to end a boycott by

underwriters protesting about the large gap between secondary market yields and the government's issue price.

A further decline in interest rates would run the risk of undermining the yen which has been weakened mainly by the large gap between Japanese and U.S. interest rates. It could also trigger another fall in bond market prices.

The Government at present has no plans to lower the short-term official discount rate (currently set at 5.5 per cent) as a means of stimulating the economy.

## Israelis replace W. Bank mayor

By David Lennon in Tel Aviv

ISRAELI yesterday dismissed the elected mayor and municipal council of the West Bank town of El-Bireh because of its refusal to co-operate with the "civilian" administrator recently appointed to replace the military governor.

The move was also seen as a response to the Jordanian threats against the Israeli-village leagues which are being set up to challenge the authority among the Palestinians of the nationalist mayors of the West Bank.

Protests and demonstrations erupted across the occupied

territory as news spread of the Israeli decision to replace the El-Bireh mayor by an Israeli army officer. Strikes were declared in a number of towns.

The West Bank mayors, who were elected in 1976, fear that this is the first step by Israel towards removing all of them so that it can eventually bring forward the leaders of the village leagues as representatives of the Palestinians in the negotiations for granting the West Bank and Gaza Strip limited autonomy.

The outspoken West Bank mayors have already suffered

a number of blows. In the past two years the mayors of Hebron and Halhoul have been deported, and the mayors of Nablus and Ramallah were severely injured by car bombs, believed to have been the work of Jewish extremists.

Mayor Ibrahim Tawil of El-Bireh, who narrowly escaped injury from a car bomb 19 months ago said as he was being marched out of his office yesterday that regardless of the actions of the Israeli authorities, the people of his town would still regard him as mayor.

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## Promoter buys back world's biggest circus

BY PAUL BETTS IN NEW YORK

MR IRVIN FELD, the music promoter, and his son Thomas have bought back for \$22.5m (£12.8m) in cash the Ringling Brothers and Barnum and Bailey Circus from Mattel, the U.S. toy and children's books company.

Mr Feld, who helped bring the Beatles and Rolling Stones to the U.S. and managed singer Paul Anka in the 1950s, has been with the circus since 1956. He bought it from John Ringling North and his heirs in 1967, and then sold it to Mattel in 1971. He has been negotiating for some time to buy back the circus—the biggest in the world.

One of his aides said yesterday Mr Feld felt a circus should be in the hands of a family and not of a corporation, she said.

Mattel said it had decided to sell the circus company to Ringling Brothers' senior management, or to Mr Feld, who continued to manage the troupe after selling it to Mattel. The company wants to concentrate in its main businesses, including traditional toys, electronic games for adults, children books and hobby products.

The deal involves, in addition to the two separate travelling circus troupes, the entertainment company's ice follies and holiday on ice subsidiary, Mattel, through Ringling Brothers, acquired the ice in 1979.

Mattel also owns the Ringling Brothers—Barnum and Bailey Circus World near Disneyworld in Orlando, Florida. This is the only circus—orientated family theme park in the world. It opened in 1974. The theme park is not part of the deal with Mr Feld. Mattel said it was holding on to these assets.

The circus, whose troupes staged more than 1,000 indoor performances in 77 major U.S. cities last year, is one of the country's most popular institutions. The circus was formed when the Ringling Brothers and Barnum and Bailey merged in 1919. Barnum himself, and the story of the early days of the American circus, is currently the subject of a hit Broadway musical.

The circus, according to Mr Feld's aide, has always operated in the black. Mattel's entertainment division, including the circus, the ice shows and the circus theme park, had revenues of \$81m last year and operating profits of \$2.4m in fiscal year ended January 1981.

But Mattel said yesterday its entertainment business accounted for only 9 per cent of its overall sales and 3 per cent of operating profits last year.

Mattel, which started in a Los Angeles garage after the Second World War and later brought the Barbie doll to the U.S., earned \$7.9m last year on sales of \$918m. In the fiscal year ended January 1981, in the first six months of the fiscal year to end January 1982, profits were only \$914,000, reflecting a first-quarter loss.

It has recently been seeking to build up a large presence in the electronic game market as well as venturing into cable television and the home computer market. But its electronic games and home entertainment video system have made heavy weather in the current economic slump and an electronics game market which has been progressively saturated.

## Calls to raise taxes 'disappoint' Reagan

BY ANATOLE KALETSKY IN WASHINGTON

PRESIDENT Ronald Reagan yesterday told a conference of U.S. manufacturers that he was "disappointed" with calls from the business community to increase taxes. Blaming the recession on a "legacy of misguided policy," he said that raising taxes was "like feeding a strap pup. The Government just follows you home and sits on your doorstep asking for more."

Earlier, Mr Paul Volcker, chairman of the Federal Reserve Board, said that an early resolution of the stalemate over the 1983 budget was the most urgent requirement for re-establishing confidence in the financial markets.

But as Mr Volcker was speaking to the National Association of Manufacturers here, indications grew on Capitol Hill that a compromise between Democrats, Republicans and the President was no in prospect.

The Democratic Chairman of the House of Representatives Budget Committee, Mr James Jones, is now so convinced that a bipartisan alternative to the President's budget is impossible that he has suggested simply putting the original budget to the vote on the floor of the House, with the near certainty that the resolution would be defeated.

Mr David Stockman, the White House Budget Director, told the same conference however that he sees "the beginnings of a solution" to the impasse, but added that any attempt to tamper with President Reagan's personal tax reductions was "a formula for political deadlock."

## Control of Fed claim

BY OUR WASHINGTON CORRESPONDENT

MR HENRY REUSS, chairman of the Congressional Joint Economic Committee, claimed yesterday that contrary to the widely-held belief that the U.S. Federal Reserve Board is politically independent, Congress can issue it with instructions, which the board of governors would be legally obliged to follow.

He said the idea that the Fed, which is responsible for the conduct of U.S. monetary policy, is "independent" is based on a constitutional confusion between the powers of the President and the Congress.

While the Fed is independent of the President, it is "the creature" of Congress and must follow congressional directives, even if these are not supported by the President, he said.

Testifying before the House of Representatives budget committee, Mr Reuss cited a long series of statements by Congressmen and chairmen of the Fed going back to the 1950s, in support of his view that the Congress could instruct the Fed to relax monetary policy.

The Fed yesterday acknowledged this interpretation of the constitutional position, adding: "The Federal Reserve has always faithfully carried out the directives of Congress, although there has never in the past been a directive conflicting with the board's own views on monetary policy. The Fed's independence is only from the executive branch of the Government. The Fed was established by Congress and Fed chairmen have always said that it is the creature of Congress."

Mr Reuss said that Congress should pass a "do-it-yourself" budget resolution "restricting increases in military and non-military spending and repealing the planned 1983 tax cut."

David Lascelles reports on the latest casualties in the U.S. press.

## Carnage in newspapers' fight for survival



The closure of the New York Daily News would give the entire popular market in the city to the New York Post, owned by Mr Rupert Murdoch (above)

WHEN Vera Harmsworth's Associated Newspaper Group closed down Soho News this week it was a sad moment for readers of the New York counter-culture weekly. It was also another heavy blow for the United States' fast-shrinking newspaper industry, which has seen four major daily newspapers disappear in the last nine months and could see another big closure before spring is over.

The second half of last year was especially bad for the industry. In July the Washington Star, the capital's afternoon newspaper, folded leaving the market to its sole competitor the Washington Post. Time Inc., the magazine group which bought it in 1978, lost US\$85m (£47m) trying to make it work, but finally threw in the towel after circulation failed to pick up and advertising fell off.

In August, the New York Daily News scrapped its evening edition called "Tonight" and left that market to Rupert Murdoch's New York Post. Tonight was only one year old, but it had failed to win more than a tiny fraction of the advertising and readership it needed to survive.

Then, in December, the Philadelphia Journal, a morning tabloid, disappeared from the scene after losing \$13m in its brief four-year life. Clearly it did not last because of its youth. A few days later the Philadelphia Bulletin, a venerable 134-year-old afternoon paper with four times the circulation levels, published its last edition and vanished from the streets for ever.

Even then the carnage was not over. Just before Christmas, the New York Daily News was back in the headlines when its owners, the Chicago Tribune Company, put it up for sale and strongly implied that they would shut it down if no one stepped forward.

These were only the most publicised closures. Elsewhere in the U.S. many smaller papers have been closed, sold or transformed into free sheets in what is turning out to be an especially bloody phase in the perennial shake-out of the traditional press.

As before, the reasons are familiar ones. The Star and the Bulletin were afternoon papers whose delivery systems were choked by rush-hour traffic, and whose news was stale when it reached homes where people were watching the evening news on television.

Once a newspaper goes into decline, the economics of the business mean the stronger paper can acquire more than its share of the advertising: the Star's competitor, the formidable Washington Post, had nearly twice its circulation and more than twice its advertising revenue.

The Philadelphia Bulletin saw its circulation dwindle from 700,000 to 405,000, until it became what one of its editors called "a dinosaur—unable to hold itself up."

The Philadelphia Journal lost out on advertising revenue too. The cake had to be sliced between 35 radio stations, a dozen television stations and four daily newspapers, said its owners, Quebecor or Montreal, bluntly illustrating the enormous competitive pressures facing both the electronic and printed media.

The New York Daily News problems belong to a different category. With one of the largest and most loyal readerships in the country (1.5m copies a day, nearly equivalent to its two competitors combined, the Post and the Times), it would appear to enjoy an unassailable position.

The News is weighed down by the legacy of the past, however.

price.

Ten closure of the News would be a major tragedy for the city, whose spirit if embodied, and the New York authorities have promised to help with tax incentives and other official assistance if that will keep it alive. Should it die, the winner will be Mr Murdoch who will have the entire popular market, morning and evening, to himself with an opportunity to turn the loss-making Post into a money-spinner.

Aside from losing jobs and business, these closures have raised concerns about the gradual concentration of newspapers into a few large groups. Many American cities now have only one newspaper, for example, Washington and the Post. If they have two, they tend to be morning and afternoon papers owned by the same group, as in Philadelphia where the Knight-Ridder group now is supreme.

Knight-Ridder owns nearly 50 newspapers with a total daily circulation of 3.6m. Gannett, another large chain, owns nearly 50 newspapers in 35 states. Both are profitable. Knight-Ridder's profits were up nearly 10 per cent to \$100m last year. Gannett's were up 13 per cent to \$172m suggesting that there is still a place for large, broadly-based newspaper groups.

Gannett is also determined to prove that the newspaper business need not be an endless saga of closures. In one of the most ambitious new publishing ventures for some time, Gannett plans to launch the United States' first nationwide newspaper, this autumn. To be called USA Today, it will start in Washington and gradually expand over the next six months into 15 of the 20 markets.

The performance of the paper, needless to say, will be closely watched. It could become the latest ill-fated venture, or equally well indicate the start of a new era.

## 'First crack' in Reagan confidence

By Reginald Dale, U.S. Editor in Washington

President Ronald Reagan, whose cultivated image is one of unshakable confidence, has displayed the first sign of exasperation with his favourite medium, U.S. television.

Frustrated by the obstinate refusal of the recession to come to an end, he has resorted to the classic ploy of politicians worldwide when cornered—blame the press.

In an interview with the Daily Oklahoman this week, Mr Reagan reveals what one side described as "the first crack" in his usual brimming confidence. The television networks, he said, were contributing to the delay in economic recovery by constant "downbeat" news coverage.

"You can't turn on evening news without seeing that they're going to interview someone else who has lost his job or they're outside the factory that has laid off workers or so forth—the constant downbeat—that can contribute to slowing down a new recovery that is in the offing," the President complained.

Describing television, which he has so often exploited to his advantage, as "an entertainment medium, looking for the eye-catching and spectacular," Mr Reagan continued: "Is it news in some fellow out in South Suckolash, someplace had just been laid off that he should be interviewed nationwide?"

When a reported asked him whether his "rightful image as a compassionate, kind, generous man could be eroded by this sort of thing," Mr Reagan replied: "I think there's not only a possibility, I think they've done a pretty good job of it. I'm scrupulous to a lot of people and if they only knew it, I'm the softest touch they've had for a long time."

Increasingly, according to his officials, the President privately criticises what he regards as negative coverage by the press.

## U.S. warns on missiles for Cuba

WASHINGTON—Mr Casper Weinberger, U.S. Defence Secretary, said yesterday the Reagan Administration would not tolerate any stationing of Soviet nuclear missiles in Cuba.

Such a move would violate the U.S.-Soviet understanding that ended the 1962 Cuban missile crisis and resulted in removal of Soviet missiles from the Caribbean island, he said in a television interview.

Mr Weinberger was responding to a speech by Soviet President Leonid Brezhnev this week in which, Western officials said, the Kremlin leader seemed to threaten that Moscow might put missiles in Cuba if Nato deployed 572 new missiles in West Europe as planned starting late next year.

"If there is any kind of threat of that sort, I would assume we would deal with it in the same way we did in the 1960s," Mr Weinberger said. Asked if he was specifically threatening the same kind of U.S. naval blockade of Cuba that ended the 1962 crisis, he said: "No, I'm talking about whatever would be necessary to do not to have missiles in the Cuban area."

Mr Weinberger described as obscure the warning in the Soviet leader's speech last Tuesday announcing a freeze on deployment of Soviet medium-range missiles in Europe.

"We don't know what he was talking about. It was a very obscure, ambiguous phrase," Mr Brezhnev said that if Nato went ahead with its planned deployments, "this would compel us to take retaliatory steps that would put the other side, including the United States itself, its own territory, in an analogous position."

President Ronald Reagan said yesterday the Government had not completed its analysis of Moscow's warning that it would take "retaliatory steps" if the U.S. carried out plans to install new medium-range missiles in Europe.

"We're studying all the implications in that," Mr Reagan told reporters.

He was speaking at a White House ceremony at which he nominated new Chiefs of Staff for both the U.S. Navy and Air Force. The men are General Charles Gabriel and Admiral James Watkins respectively.

The Senate is expected to give routine approval to the nominations.

Agencies

## INTERNATIONAL BIDDING

KASPER E CIA LTDA, planning expansion of their industrial unit located in Pelotas, Rio Grande do Sul, Brazil, is interested in acquiring machinery and equipment for the extraction of vegetable oils. The purpose of this communication is to invite interested suppliers to present their proposals in writing to the following address: Rua Barao de Maua, No. 351 Pelotas - RS - Brazil - CEP 96.100

## 'When recovery comes we will be ready to support it with lending for working capital and investment'

For some time now, we have been giving special support to many of our borrowing customers, ranging from countries and multi-national corporations to small businesses and individuals'

Extracts from the statement of the Chairman, Sir Jeremy Morse, in the 1981 Report and Accounts of Lloyds Bank

1981 was a good year for Lloyds Bank. A marked improvement in operating results was partly offset by a substantial increase in provisions for bad and doubtful debts—the inevitable reflection of continuing economic difficulties around the world.

Pre-tax profits of the Group were £386 million, 33% up on the previous year's £290 million. This percentage rise should be measured against an inflation rate of about 10% in the main countries. Current cost accounts, which make adjustments for inflation, show pre-tax profits 51% up at £248 million.

### Gains

Improved efficiency has helped us to gain market share, increase productivity and contain costs. 65% of the rise in pre-tax profits came from international banking, the improvement in Britain being masked by the down-turn in the interest rate cycle.

In some countries and industries economic conditions are almost as bad as 50 years ago, and there is no sign of early relief. Britain in particular is being jolted, by a mixture of circumstances and policy, through a testing period of retrenchment and change.

### Hope

The main ground for hope is the possibility that the British economy will emerge in better competitive shape for the future, particularly on the industrial side. When recovery comes, we will be ready to support it with lending for working capital and investment.

Financing worthwhile projects has always been a banker's business. In these times, banks have to be prepared to lend longer, which makes the quality of credit judgements even more crucial. Also, international projects have grown in size. By helping to win large contracts abroad, banks can contribute to the preservation of jobs in the exporting country, which in our case is most often Britain.

### Support

Profitability plays an important part in all this, but it is far from being the whole story. For some time now, we have been giving special support to many of our borrowing customers, ranging from countries and multi-national corporations to small businesses and individuals.

To protect our depositors against the risks that this involves, we must keep our capital position sound. At the end of 1981, the Group's total assets had risen to £27 billion and deposits to £25 billion. The ratio of this latter figure to total capital and reserves was 11.5 to 1, and to free capital (which excludes capital tied up in premises and equipment, and in investments that cannot be quickly realised) was 19.5 to 1.

These ratios are satisfactory, but they would have been better by a full point if 1981's retained profits had not been reduced by £59 million through the ill-judged special levy imposed on United Kingdom banks.

Copies of the 1981 Report and Accounts are obtainable from the Secretary, Lloyds Bank Ltd, 71 Lombard Street, London EC3P 3BS.



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## WORLD TRADE NEWS

Paul Cheeseright reports on Mr. Masumi Esaki's plans for a trade initiative

## Japan aims to ease friction with West

THE JAPANESE Government is preparing new trade initiatives to ease friction with its Western partners in the EEC and U.S. before the June economic summit to be held in Versailles.

"The Liberal Democratic Party is working very hard with an initiative trying to contribute to the improvement of the situation," said Mr Masumi Esaki, leader of a large delegation to the EEC, currently in London, during an interview yesterday.

The delegation is prepared to listen, take back ideas and prepare the necessary measures before the June meeting, he said. But while the delegation could formulate the ideas, it is up to the Government to take the action.

The Esaki group is composed of senior figures in the Liberal Democratic Party, which has ruled Japan for 37 years. Many of its members have held Cabinet positions and are likely to take office again at some point. Its importance in Government councils is, therefore, considerable.

But Mr Esaki implied that the measures could be limited, drawing attention to the 27 quotas Japan maintains on imported goods. He stressed the difficulty of movement on agricultural products, because of the problems increased imports would pose to small scale farmers. But quotas on

agricultural products account for 22 of the quotas.

Mr Esaki's comments revealed a live concern about the future of the international trading system and Japan's role within it, coupled with a firm conviction that many western complaints about restricted access to the Japanese market are the result of misunderstanding.

He suggested, for example, that U.S. complaints about access are based on the experience of 10 years ago when American companies were often unsuccessful in their approach to the market.

"This is open," he claimed, adding pointedly, "We are waiting for United Kingdom companies to come to Japan."

And, in another context, he hinted that the UK view of its trade balance with Japan is misguided. Trade should be considered globally, he argued. Although the UK has a deficit with Japan, the UK itself is in trade surplus.

Nevertheless, it is the mounting deficit which the U.S. and the EEC have with Japan, linked with concern about access to the Japanese market, which has prompted Western countries to put increased pressure on Japan for a policy of trade liberalisation and more restrained exporting.

The Esaki mission is in London trying to put a brake on that pressure. But Japanese officials privately concede that

their country needs now to put as much thought into exporting and marketing strategy as it has done into raising the production levels of industry.

It is argued that the exposure of senior politicians to Western complaints is part of the internal process of change. By channeling back Western concerns they can help create movement in the bureaucracy to reflect the aim of the Government to make Japan more import-oriented.

But it is clear from Mr Esaki's remarks that immediate measures going beyond palliatives are not thought to be realistic. The solution to the trade imbalance difficulty with the UK, for example, "should be conducted by active Japanese investment to provide opportunities for employment."

There are 25 Japanese companies with plants in the UK, a higher level of investment than elsewhere in the EEC. But in 1981, on the basis of Japanese figures, the UK deficit on bilateral trade rose 10.5 per cent to \$2.1bn.

British industrialists contend, however, that if exceptional items like non-monetary gold and UK cargo vessels sent to Japan for refit are stripped out of the figures, the deficit rose 73 per cent last year over 1980.

It has been widely felt in the EEC and the U.S. and Sir Geoffrey Howe told Mr Esaki this on Wednesday—that it would be directly helpful for Japan to discourage exports and



Mr Masumi Esaki

encourage imports by raising the value of the yen.

There is no intention of taking any measures now, Mr Esaki said. Under the floating rate system, it was high U.S. interest rates which had made the yen weak. But he thought that Y200 to the dollar would be an appropriate rate, instead of the Y240 presently prevailing.

This points to Japan's difficulty of trying to find the sort of measures which would appease its trading partners without losing the competitive advantages so painstakingly

built up in recent years.

At the same time Mr Esaki made it clear Japan did not want to be the scapegoat for the economic difficulties of Western nations. "I doubt if this will do any good to western nations," he said.

With some sense of grievance, Mr Esaki noted that in sensitive areas like steel and shipbuilding, Japan had reduced its capacity.

Since the second oil crisis, its iron and steel production had dropped from 186m tonnes to 100m tonnes a year and its shipbuilding had dropped from 10m tonnes to 6.5m tonnes, he noted.

But Mr Esaki made two points which appear to be behind all the Japanese Government's thinking on trade problems. First Japan is inseparably linked with the U.S. and the EEC—thus, as Mr Esaki put it, Japan wants to help improve the current economic climate. Yet, he did not seem very clear how this might be done.

Second Japan remains fearful of protectionism. Mr Esaki recalled that protectionism in the 1930s was the prelude to World War II. "Protectionism could exist for a while. But it is just like opium—the wish for more would increase. This would only result in retaliation, making it a serious political issue," he said.

## Jobert gives Tokyo customs warning

By Charles Smith, Far East Editor, in Tokyo

Japan could find itself faced with a "customs happening" in the French market if it continues to take little or no action in response to European trade grievances, French Foreign Trade Minister, said Michel Jobert.

He was "willing to bet" that other European countries besides France would introduce protectionist measures against Japan within six months, failing decisive action by Tokyo to reduce its trade surplus.

Countries taking such actions would include some which "now claim to be among the least protectionist members of the Community."

Mr Jobert declined to spell out the precise demands which France is making for improved access to the Japanese market. He indicated, however, that President Francois Mitterrand would use his visit to Tokyo in April to try to persuade the Japanese Government to agree to guidelines for "better behaviour" in world trade.

If Japan co-operated, these guidelines could be adopted. The alternative might be widespread action against Japanese imports by European countries.

## Zimbabwe trade pact with South Africa extended

BY BERNARD SIMON IN JOHANNESBURG

THE PREFERENTIAL trade agreement between South Africa and Zimbabwe, due to expire next year after being in force for 18 years, has been extended, Dr Dawie de Villiers, South Africa's Minister of Industries and Commerce, said yesterday.

Negotiations on a new agreement have been taking place for several months. Renewal of the existing pact is apparently intended to fill the gap while details of the new agreement are finalised.

A Zimbabwean delegation visited Cape Town recently for talks with South African Government officials on the issue.

South Africa gave notice that it was terminating the agreement a year ago, at a time when political relations between Pretoria and Salisbury were at a low ebb. Diplomatic observers have suggested that pressure from the U.S. has contributed to South Africa's change of heart.

The present agreement overwhelmingly favours Zimbabwe, whose exports of manufactured goods to South Africa totalled about \$125m (£69.4m) in 1980,

some 41 per cent of the country's manufactured exports.

The provisions of the trade agreement, which include preferential tariffs and exemption from some import control, cover almost two-thirds of Zimbabwe's exports of manufacturers to South Africa.

Zimbabwean producers of cigarettes, textiles, clothing, furniture, footwear and radios would be particularly hard hit by the termination of the agreement.

The Confederation of Zimbabwe Industries said recently that an end to the agreement would have "serious and far-reaching effects" on local industry.

The South Africans are expected to insist that the new agreement, while retaining most of the existing benefits to Zimbabwe, should favour South African manufacturers to a greater extent than is presently the case.

Our Salisbury Correspondent adds: The Confederation of Zimbabwe Industries yesterday welcomed with "much relief" the South African Government's announcement.

## Oil boosts Britain to surplus with U.S.

BY DAVID TONGE

BRITAIN last year recorded a rare trade surplus with the U.S.

Figures just released by the Department of Commerce in Washington show that U.S. exports to Britain fell 2 per cent to \$12.4bn (£6.8bn) while imports jumped 3.6 per cent to \$12.5bn.

British figures are not available because of last year's civil service strike, but detailed U.S. figures for trade in the first 11 months of 1980 and 1981 show that the turn-round is almost entirely due to a surge in shipments of North Sea oil.

The 11-month figures show that British crude exports to the U.S. reached \$4.5bn (£2.6bn) compared with \$1.8bn in the same period a year earlier.

There was a 12 per cent fall in the dollar value of British chemical exports to \$724m in January to November of last year, but most other categories held up well.

The rise in the value of the dollar means strong sterling returns for British exporters of machinery (\$2.6bn exports in the first 11 months of 1981), and aircraft (\$359m). Exports of cars and trucks both fell.

On the other side, the only U.S. export to Britain to show a major jump was gold bullion. Shipments of bullion and scrap to Britain jumped from \$972m in January-November 1980 to \$1.7bn in the same period last year.

This, largely reflected, the shift of U.S. gold exports from Switzerland following the tax introduced by Zurich—and recently lifted.

A look down America's import list shows how problems on both sides of the Atlantic have hit companies. The difficulties of the U.S. airline industry contributed to British exports of commercial aircraft falling nearly 60 per cent to \$450m in the first 11 months of 1981.

In the same period British iron and steel imports fell by one-third to \$200m and imports of metals such as copper and aluminium, nearly halved.

Imports of scrap also tumbled but U.S. companies maintained their shipments of power generating machinery and engines (\$488m), general industrial machinery (\$395m), and office machinery and computers (\$1.1bn).

## Biffen aims to secure orders on Brazil trip

By Philip Marvin

MR JOHN BIFFEN, the Trade Secretary, is to visit Brazil from April 7 to 17 on a trade promotion trip aimed at securing a series of contracts lined up with Brazil under last October's government-level protocol.

During his visit Mr Biffen will meet Brazilian Ministers and visit the giant Itaipu hydro-electric project on the Parana River, as well as a coal project in Ponto Alegre for which British companies have supplied mining equipment.

Several of the contracts for British concerns which were projected under the October memorandum of understanding are expected to be signed in the next few weeks.

According to Ferranti, a £72m contract for electronic systems for four Brazilian-built corvettes and a training frigate is "very close to being signed."

Meanwhile, GEC Transportation Projects says the company is "very close to concluding negotiations" on a £38m contract for an urban rail transport system for the city of Recife.

## India regrets EEC stand on textiles

By K. K. Sharma in New Delhi

INDIA'S Commerce Ministry is understood to have been greatly disappointed by the position taken by a delegation from the European Economic Community led by Dr Hans Krenzier, on bilateral agreements on textile exports under the Multi-Fibre Arrangement (MFA) finalised last December.

During talks this week in New Delhi, the EEC delegation is reported to have told the Indians that it faced political pressures from the European textile industry against increasing imports.

The EEC team refused to accept the MFA stipulation that handloom and folklore products from India should be exempt from quota restrictions.

The next round of talks with the EEC is to be held in Brussels in May or June. Before that, India proposes to call another meeting of textile exporting countries to exchange views on the bilateral talks they have held with importing countries under the MFA.

## Foster Wheeler Energy wins £60m Swedish order

BY SUE CAMERON

FOSTER Wheeler Energy—British subsidiary of the U.S.-based Foster Wheeler design engineering group—has won a £60m contract for a new catalytic cracker in Sweden.

The £60m contract, which covers the engineering, procurement and construction of the unit, has been awarded by OK Kracker, a Swedish-based oil company. The new plant, which is due to be completed in 1984, will be built at OK Kracker's Lysekil refinery near Gothenburg.

Foster Wheeler Energy, which is based at Reading in Berkshire, is already building a visbreaker unit at the Lysekil site for OK Kracker—which claims to be the biggest seller of oil products in Sweden.

Both visbreakers and catalytic crackers are used to obtain a higher yield of light products—such as petrol—from a barrel of crude oil.

Demand for heavy products—such as fuel oil—is declining sharply throughout Western Europe and a number of refineries are therefore modifying their plants so that they can meet the new sales trend.

The catalytic cracker Foster Wheeler is building will have a 21,000 barrels-a-day capacity. Foster Wheeler said yesterday that orders for much of the fabrication of various components for the new plant would be given to UK suppliers.

The company is at present working on six similar catalytic crackers, worldwide.

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## IVECO, A WORLD OF TRANSPORT



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## UK NEWS

## Banks fear effects of tax credit restriction plans

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

THE British Bankers' Association, which represents British and foreign banks in London, is expected to write to Sir Geoffrey Howe, the Chancellor, to express its anxiety about plans to limit tax credits available in Britain on international banking business. The proposals were announced in last week's Budget.

The letter is to warn the Chancellor that the introduction of such measures could damage long-standing relationships with international customers, and have far-reaching repercussions for the image of British banks abroad.

At stake are credits against corporation tax estimated by the Inland Revenue at £20m a year. These are allowed as offsets against interest withholding tax paid abroad, and may, in special cases, be claimed even though the foreign government has waived its right to levy tax on loan interest.

The letter will be considered at an executive committee meeting of the association next Wednesday and, if endorsed by the meeting, will be sent to the Chancellor.

It will deal with the political implications of the proposals, rather than technical taxation issues. "The real anxiety," one banker said yesterday, "is that any fundamental change will affect our competitive position, particularly vis-a-vis U.S. banks."

City bankers fear that any change in the current regulations would force them to renegotiate terms of loans which currently allow them to benefit from the tax credits. Such an alteration of loan conditions is provided for in the loan contracts during the life of a transaction, but bankers say that it is bound to alienate the borrowers concerned, leading to the loss of other business, such as export credits.

A particularly controversial element of the current system is the so-called "tax avoidance" in which the British Government has undertaken, under double taxation treaties, to allow the tax credit even though the foreign government does not levy withholding tax.

Malaysia, whose trade and economic relations with Britain have recently been at a very low ebb, is a frequent beneficiary of such loans.

Another controversy surrounds the case of Brazil, where borrowers frequently pay withholding tax on behalf of the lender.

The bank has received a receipt for the tax paid and claims a tax credit in Britain, but the Brazilian Government later rebates the tax to the borrower.

The Revenue argues that arrangements such as these allow banks to collect more than their fair share of tax credits. It claims that these can sometimes exceed a bank's profits on its international business.

The banks say, however, that the tax credit system enhances the value of the City as an international financial centre, as well as promoting investment in the developing world.

## Revenue's share of taxation falls

BY ROSIN PAULEY

THE Inland Revenue's contribution to total central government taxation fell for the fifth successive year in 1980-81, when it reached 55.2 per cent, the lowest level since the Second World War.

If the National Insurance Surcharge, which is collected through the PAYE machinery, is added, 1980-81 figures become 60.9 per cent, compared with 61.7 per cent in 1979-80 and 63.4 per cent in 1977-78, the first year of the surcharge.

Of the remaining 39.1 per cent of central government taxes in 1980-81, 36.8 per cent came from customs and excise revenue and 2.3 per cent from motor vehicle duties.

Within the Inland Revenue figures for 1980-81, income tax fell to 40.7 per cent of the total tax revenue—its lowest level since 1973-74, when it was 43.4 per cent. It is expected to have fallen to 40 per cent in 1981-82.

The proportion of the yield accounted for by Corporation Tax in 1980-81 was down at 7.8 per cent. The estimate for 1981-82 is 6.5 per cent.

In cash terms, the Inland Revenue collected £33bn in 1980-81, an increase of £4.8bn or 17 per cent over 1979-80. The increase is due mainly to increased receipts of income tax and petroleum revenue tax.

The cost of collecting taxes, meanwhile, jumped from £28.9bn in 1979-80 to £31.5bn in 1980-81, an increase of 22 per cent. The service was hit by some enormous rises—telephone costs up 54.6 per cent, postage costs up 30 per cent, "legal, cleaning and miscellaneous" up 21.5 per cent, travelling and removal expenses up 18.5 per cent, and computers and other capital expenditure up 86.7 per cent. Only printing and stationery showed a cut in costs—of 4.5 per cent.

The latest Inland Revenue Report contains only two paragraphs about the computerisation of the PAYE system, which is raising public and parliamentary disquiet because of the slowness of the changeover.

Concern has been fuelled by comments by Sir Lawrence Airey, Inland Revenue Board chairman, that a new system of local income tax, dependent on fully-computerised PAYE, is not feasible much before the end of the decade.

Earlier this week, the Association of Metropolitan Authorities told a House of Commons select committee that Sir Lawrence's claim should be subjected to an independent investigation.

The report says the Civil Service strike caused a 25 per cent cut in the flow of receipts. By the end of the strike there was a backlog of about £5bn, relating mainly to PAYE income tax and National Insurance contributions and surcharge.

The Revenue hopes to have cleared most of the shortfall by the end of the current financial year. The number of staff employed by the Inland Revenue fell by 3.4 per cent from 78,312 to 75,624 between March 1980 and March 1981. By December 1981, it had fallen a further 3 per cent to 73,325. The Revenue employed 85,175 in 1978.

Report of the Commissioners of Her Majesty's Inland Revenue for the year ended March 31 1981; Cmnd 8514; SO £4.55.

## Private sector 'should assist NHS'

BY GARETH GRIFFITHS

BRITAIN'S private medical sector should share the burden of more difficult health care problems, such as the old and the mentally handicapped, as a condition of restoration by district health authorities.

This suggestion comes in a paper published this week on the relationship between the National Health Service and private medicine, by Birmingham University's Health Services Management Centre. The authors, Mr Philip Chubb, Mr Stuart Haywood and Professor Paul Torrens, say the private sector in Britain has an importance of proportion greater than its size warrants.

Three broad policies are put forward to prevent Britain becoming two nations in standards of health care. First, the Department of Health and Social Security should develop a national standard for pay and working conditions for both sectors, and the private sector should be encouraged to put greater emphasis on training.

Secondly, private health insurance schemes should be monitored to ensure the private sector is run economically. The monitoring body should try to develop more cost effective forms of health insurance coverage.

Thirdly, strong emphasis should be placed on the balanced development of medical equipment. The study suggests setting up a unit similar to the Technology Assessment Office at the U.S. Congress to examine the economic implications of new technology.

The report says interdependence between the NHS and the private sector is inevitable and that policy within the health service should recognise this. No government could afford to transfer private health care to the NHS.

Policy Considerations for the National Health Service in dealing with the expansion of the private sector.

Policy Considerations for the National Health Service in dealing with the expansion of the private sector.

Price £3. Health Services Management Centre University of Birmingham, Park House, 40 Edgbaston Park Road, Birmingham.

ARMCO FINANCIAL SERVICES EUROPE is to restructure its London market operation from April 5. Mr Derrick A. Bailey will be director of the North American specialist division. Mr George Felton will be director of the UK and international division. Mr Peter Van Niek will be director for the Treaty division.

ANGLO AMERICAN INDUSTRIAL CORPORATION has appointed Mr L. Boyd, Mr O. P. Koevoet, Mr B. C. McCarthy, Mr C. J. Saunders, Mr L. A. Lincoln and Mr A. J. Trahar as directors.

Mr A. H. J. Brook has been appointed director of BODDINGTONS BREWERIES.

Mr Don Anderson, formerly area director, Gullford area, has been appointed area director at NATIONAL WESTMINSTER BANK's outer city area office. He succeeds Mr Frank Bradley who has retired.

Sir Guy Pison, recently chairman of Saccione and Speed International, has joined Whitehead Mason as non-executive director. Mrs Penny Powell has been appointed director in charge of a new division specialising in management counselling and assessment.

Industries, a division of Hanson Trust, has appointed Mr Basil Jeffries as managing director of WILLIAM WARNE.

Mr W. Trevor Robinson, senior vice-president and general

## Delta opens doors for design testing

By Lorne Barling

SOME OF the world's most modern computer-aided design and manufacturing (CAD/CAM) equipment, in operation at Delta Computer Aided Engineering in Birmingham, has been made available for trial purposes to UK companies through a Department of Industry scheme.

Delta's equipment, similar to that which the Government is encouraging industry to use, has greatly increased the company's efficiency in some areas, notably the design and manufacture of small batches of components and those which require complex contours.

Under the scheme other companies can use the equipment at Delta to gain practical experience and assess its suitability for other applications.

For £10 a half-day visit to Delta to provide an outline of the system is offered, while "hands on" experience under skilled supervision is available at £100 per terminal per day.

In addition, demonstrations by the centre's staff of the applications of CAD/CAM in the production of a company's own drawings and products, are available at £100 per man day.

The company is the second of five practical experience centres being set up through the department. The first was the Machine Tool Industry Research Association, run in conjunction with Manchester University.

Others will be the British Ship Research Association at Walsend, Tyne and Wear; the Computer Aided Design Centre at Cambridge; and the National Engineering Laboratory, East Kilbride.

## Officers go to battle on war pay

Raymond Snoddy on the PoWs fight for financial 'justice'

CAPTAIN HUGO BRACKEN, a Navy flyer shot down north of Norway in July, 1941, and who spent the rest of the war in concentration camps, is embroiled in another kind of battle now.

Today he will go to the Ministry of Defence, armed with a briefcase stuffed with copies of obscure documents from the Public Record Office.

They are weapons in a campaign for financial "justice" waged by former British officer prisoners of war held by the Germans and Italians.

The group claims that on average the British Government refunded only 50-60 per cent of the roughly £1.8m deducted from their pay in the UK while they were behind barbed wire.

Captain Bracken believes the shortfall amounts to more than £5m at current prices.

Capt. Bracken's talks with (Ministry officials) are without commitment on either side and are aimed at trying to establish a common base of agreed facts.

They follow an inquiry by a parliamentary working group, set up in 1980, which concluded that there was no case for reopening the matter. But, for three months there has been a bombardment of questions in the House of Commons and the Lords.

"We are not going to give up, because we believe we have a just cause," said Capt. Bracken.

a member of a voluntary committee representing about 400 out of a total of 9,000 British officers held prisoners in the war.

Capt. Bracken, 70, is well equipped for the hand-to-hand skirmishes he has undertaken with MoD civil servants. When he retired from the Royal Navy in 1964 he became a civil servant.

Many records vital to his group's case are long since destroyed. But the committee hopes to persuade the Government to settle what it sees as a debt of honour, by making a generous contribution either to a trust fund for former PoWs or to the benevolent societies of the three services.

Under the Geneva Convention, officers received pay from those detaining them and money was deducted by their Government, which reimbursed the detaining country after the war.

Capt Bracken points out that the officers had about one-third of their pay deducted by the UK, yet, in most cases, they were given "lagergeld" — camp money with which they could buy virtually nothing.

Agreements to transfer credits home, Capt Bracken argues, were not reached until 1973, although some accounts were credited before liberation.

The crux of the issue, however, is how much of the deductions on officers' pay was refunded after the war.

In many camps, detailed records were kept by "chief accountants" and there was little problem over payment.

But Capt Bracken, who was in Suiag Luft III, points out that in the last days of the war, when prisoners were marched across country, they travelled light, carrying only food and spare tools.

Capt Bracken says many returning PoWs had little on their minds but getting home.

"It is certain that some never completed claim forms for refunds. The majority were confident, perhaps over-confident that their financial affairs would be sorted out to their best advantage and few had any records from the prison camps."

In the case of 46 Royal Navy and Royal Marine officers in Suiag Luft III, the average amount refunded was £32—less than 10 per cent of the deductions made, he claims.

"Our argument is that it is quite clear that it was the intention to reimburse the detaining powers. When it was decided not to do so, full refunds should have been made," Capt Bracken says.

One former PoW, Mr Jesse Beaumont "Monty" Bissell who spent four years in Colditz and made the German uniform that helped the late Mr Airey Neave to escape, says he received no refund at all.

He is fighting a guerrilla action for eight former Colditz prisoners against the MoD. Unlike Captain Bracken's group, he does not believe in "parleys" with the opposition.

"They surely don't imagine the Colditz boys are going to give up," says Monty Bissell, 65.

The Parliamentary working group, which investigated complaints under the chairmanship of Mr Geoffrey Pattie, an under secretary for defence, concluded that the authorities were aware that pay varied.

Adjustments were made to officers' accounts as the war proceeded, although it was admitted, "We can never know for certain how effective this procedure was."

A total of £200,000 of 1945 money (about £5m today) was paid out to former RAF PoWs, which does indicate a system that was working tolerably well.

The Ministry of Defence, meanwhile, says new evidence to disprove the working party's conclusions has not been produced.

## U.S. shoemaker brings jobs boost to steel town

BY HAZEL DUFFY, INDUSTRIAL CORRESPONDENT

A FACTORY is being opened in the UK by New Balance Shoes, a U.S. specialist running shoe manufacturer.

The plant, in Worthington, Cumbria, will provide 93 jobs initially, and is expected to expand fairly quickly. It is the company's first in Britain.

The £200,000 investment in the UK is being supported by government grants totalling £120,000, which includes training grants.

The project also qualifies for a low-interest £85,000 loan from the European Coal and Steel Community because it is providing jobs in a town affected by steel closures.

Mr Jim Davis, founder and president of New Balance Shoes, will be chairman of New Balance (UK), the company to be formed to run the venture.

Mr Christopher Brasher, the journalist and former athlete whose Fleetfoot company has sole distribution rights of New Balance shoes in the UK, will be a director.

The Worthington factory, made available by the English Industrial Estates Corporation, was occupied by Leyland Vehicles.

Mr Brasher said yesterday: "Over 95 per cent of quality running shoes sold in the UK are imported. I am delighted that they will now be made here."

The factory will be able to employ trained people made redundant by the closure of the K Shoes factory in the area.

New Balance has five other factories—three in the U.S., one in Canada, and one in Ireland. The company plans to make 2,500-5,000 pairs of shoes a week at Worthington.

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## UK NEWS

## McNee will retire from Met. police in October

By Lisa Wood

SIR David McNee, the Metropolitan Police Commissioner, is to retire in October, the Home Office announced yesterday.

The announcement comes after considerable speculation about whether Sir David, who is 56, would extend his five-year appointment, which he took up in March 1977.

It was disclosed yesterday that Mr William Whitelaw, the Home Secretary, asked Sir David last October to stay for a further term, but Sir David agreed to stay only until October this year.

In a statement he said: "When appointed in March 1977 I agreed to serve five years. By October next I will have done that and more. Last autumn, when discussing my retirement date with the Home Secretary, from whom I have always had the fullest help and support, I was honoured and flattered when he asked me to serve for a further term."

No further details have been given by Sir David who is to give a Press conference nearer the date of his retirement. Police commissioners officially retire at 60 but can continue until 62 by extension of their terms of office.

Sir David won the nickname of "The Hammer" while in Glasgow, where he served as Chief Constable of Strathclyde until 1977. He succeeded Sir Robert Mark as head of the Metropolitan Police. Sir Robert retired at the age of 60 after five years in the job.

At the time a major issue was corruption within the London force and Sir David's appointment introduced a man who was free from connections with Scotland Yard.

He added that he was pleased with his reception, particularly among Irish-American politicians. Meanwhile, Mrs Margaret Thatcher, yesterday praised President Reagan for his condemnation of Irish terrorism and call to Americans not to contribute towards violence.

**Steel company to shed 340 jobs**  
UNION LEADERS at Firth Brown, the Sheffield-based private steel producer, have been told that the company wants more than 340 redundancies among its 3,200-strong workforce.

The management hopes talks on redundancies will be successfully completed within a few days. Union representatives have been instructed to negotiate the best possible terms.

The company blames the cuts on the world recession in the aerospace industry, a major buyer of its steels.

**Council likely to give tin mine go-ahead**  
CORNWALL COUNCIL is to consider giving planning approval for full tin ore production at the old Wheal Concord mine near Redruth which was re-opened two years ago.

About £554,000 has been spent on the mine which has 42 workers. In the planning application, the eventual workforce is put at 150. The council is likely to give the approval next month.

**Welsh TV deal signed**  
TRANS World International, the television subsidiary of the Mark McCormack organisation, and the Welsh fourth channel authority have signed an agreement giving TWI an exclusive contract for its overseas programme sales.

The channel, Sianel Pedwar Cymru, hopes to have between 100 and 200 hours of programmes suitable for dubbing for worldwide sale, when its Welsh language service starts in November.

**Tokyo shop for Harrods**  
HARRODS said yesterday that it is to open a small shop within the Mitsukoshi department store in Tokyo—the first time its merchandise will be sold in a foreign store.

Mitsukoshi, one of Japan's largest departmental store groups, will be selling Harrods' own label merchandise exclusively.

**More air services for Teesside**  
CASAIR Aviation Services, part of the William Press Group, is to fly regular services from Teesside Airport to Gatwick, London, the Isle of Man and to Guernsey.

The Gatwick service, twice daily, Mondays to Fridays, starts in May, while the Isle of Man and Guernsey services, one flight a day on Saturdays and Sundays to each destination, are aimed at the holiday trade and will operate from June until September.

## CBI to fight worker directors plan

By JOHN ELLIOTT AND JOHN LLOYD

THE Confederation of British Industry is to link up with other Common Market employers' organisations to try to block plans for legislation on worker directors, which are expected to be considered by the European Parliament in May.

The plans approved by the Parliament's legal affairs committee in January, basically suggest four options for giving workers a statutory right to seats in a company boardroom or on a consultative council, or to negotiate on company decisions.

The proposals form the latest stage in the 10-year life of the EEC's fifth directive on industrial democracy. They are known as the Guertsen proposals after the Dutch Member of the European Parliament who acted as secretary of the legal affairs committee.

They are reviving the battle lines drawn up in the UK in the

late 1970s by the CBI and the TUC when the Bullock Report's proposals for worker directors were being considered by the then Labour Government.

Along with other European Labour movements, the TUC is pushing strongly for the EEC legislation. During the past two years it has developed plans for industrial democracy which, while going further than the Guertsen proposals, are broadly in line with them.

The Guertsen proposals basically give workers' rights in companies with more than 1,000 employees to choose one of four options:

● Collective bargaining between employers and employees on company decisions.  
● A two-tier board structure with workers having between one-third and a half of the seats on a top-tier supervisory board. Shareholders would retain rights to make final decisions.

● A single board structure with workers having between a third and a half of the non-executive directors' seats. Ultimate shareholders control would be retained because executive directors would have seats.

● Seats for workers on a company council below board level which would have the same right to information and consultation as if the workers were in the boardroom.

The TUC also sees proposals for greater disclosure of information which are being developed separately by the European Commission as a potentially valuable bargaining tool. These are known as the Vredeling-Davignon proposals, after the two European Commissioners who have been in charge of the subject.

The TUC has, in the last two years, developed plans for industrial democracy which, while

going further than the Vredeling proposals, are broadly in line with them.

The CBI on the other hand is sticking at present to its 1979 policy.

But CBI leaders recognise that it may be impossible to stop either the European Parliament and then the European Commission going ahead with some version of the Guertsen proposals. It estimates that these might then be forced on to member states after 1986.

When it sees what emerges from the European Parliament, the CBI will consider whether to abandon its wholesale opposition to legislation in favour of fighting the proposals in detail, hoping to water them down.

To support its opposition to legislation, it is urging member companies to introduce their own employee involvement arrangements voluntarily.

## New National Savings issue offers sharply reduced return

By ROSEMARY BURR

THE 24th issue of National Savings certificates will offer investors a return of 8.9 per cent after five years free of tax. This is a sharp decrease on the rate available until 10 days ago on the 23rd issue.

The maximum holding is £2,500, half the amount individuals were permitted to hold of the 23rd issue. The Government is placing less emphasis on National Savings in 1982-3 than in the current year.

In setting the rates on the 24th issue the Government is underlining its commitment to bring down interest rates and get inflation into single figures this year. The gilt market is likely to bear the brunt of the government funding programme in the coming year.

The 24th issue will go on sale on April 19 in units of £25. The return after the first year will be 7.2 per cent. This will rise in stages to 11 per cent in the fifth year.

The Treasury has estimated that inflation for the year beginning April 1982 will be 7.1 per cent. This means that if the Treasury's predictions are accurate, holders of the 24th issue

Year	Value at Year end per £25 unit of 24th issue	Return %	Compound return %
One	26.30	7.2	7.2
Two	28.92	7.9	7.5
Three	31.44	8.7	7.9
Four	34.52	9.8	8.4
Five	38.32	11	8.9

will get a return beneath inflation in the first year.

For standard-rate taxpayers the return on the 24th issue is held five years to maturity is equivalent to 12.74 per cent gross.

In the first few years the gross return to standard taxpayers is lower than the present return on building society share rates. Last week the societies reduced the rate paid to investors by the equivalent of 1.43 per cent in the gross rates to 12.5 per cent.

There is likely to be little demand for the 24th issue. Nearly £1bn was invested in the 23rd, which carried the highest-ever rate for investors. On the final day of its sale about £300m was switched from banks and building societies into national savings.

## Long-term prospects for economy 'still improving'

By ROBIN PAULEY

LONG-TERM prospects for the economy are still improving, according to the Government's cyclical indicators, though the shorter-term prospects remain flat.

The indices for February, published by the Central Statistical Office yesterday, showed that the upward trend established last spring, and resumed at the year-end after faltering badly in the summer, is being maintained.

There are four indices. Two predict changes in economic activity one year ahead and six months ahead. The coincident indicator shows the present state of the economy and the lagging index reflects turnings points one year after they have occurred.

The coincident indicator hit a low point last April, and rose steadily to November before sticking.

The fairly static state of the coincident and short-term indicators show that no dramatic upturn in the economy is under way, and that any progress is likely to be slow.

However, the indicators, like the poor manufacturing output figures earlier this week, are

difficult to interpret reliably because of the effects of bad weather and strikes.

It is virtually impossible to see exactly what is going on behind the economy at the moment.

The rise in the longer leading index is caused, says the Central Statistical Office, by falling interest rates, rising share prices, an improvement in business confidence reported by the latest CBI quarterly survey, and an increase in housing starts.

Revised seasonally-adjusted figures show that the level of stocks held by manufacturers, wholesalers and retailers fell by about £35m (1975 prices) in the last quarter of 1981, the smallest quarterly fall in the last two years of continuous stocktaking. The falls in the preceding three quarters were £78m, £518m and £412m.

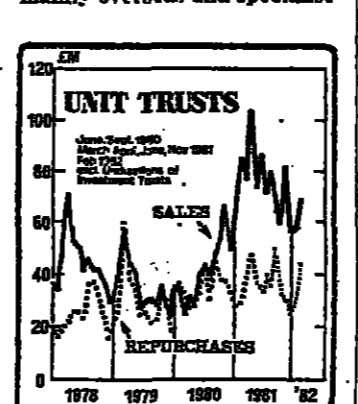
The revised estimate of capital expenditure by the manufacturing, distributive and service industries, including shipping in the last quarter of 1981 is £2,460m (1975 prices seasonally adjusted), a rise of 1.5 per cent over the third quarter. The revised total of £3,742m for 1981 is nearly 5 per cent below the total for 1980.

## Sharp rise in sales by unit trust holders

By Eric Short

UNIT TRUST holders appear to have resumed selling and turned over their holdings after several fairly inactive months.

Repurchases in February rose by almost £16m on the month to a high of £44.2m. This more than offset the rise last month in unit trusts sales, which climbed by more than £16m to the respectable total of £72.2m. This figure was boosted by the launch in February of eight new trusts, mainly overseas and specialist



funds, and £3m utilisation of the Internal Life Funds of National Employers' Life's Nelder and Fixed Interest Fund.

Despite that boost, however, the size of repurchases meant that net new investment in unit trusts declined by more than £1m in February from £29.5m to £28.1m—only half the amount of new investment in February of last year. Figures for both sales and net new investment should be adjusted to allow for the £3m utilisation and indicate that February was a quieter month for new investment in the unit trust industry compared with recent months.

Mr Mark St Giles, chairman of the Unit Trust Association, said he was satisfied with the figures. He felt an important feature of sales in 1982 was a revival in investment in UK funds and investors showing caution over US funds. Investment in unit trust gilt funds remained steady.

The total value of unit trusts funds at the end of February amounted to £6,040m—more than £100m lower than at the end of January. The drop was due mainly to the fall in the UK equity market in the month.

The number of investors in unit trusts rose by 10,000 in February to 1.79m.

## 'British' diesel cars out soon

By KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

THREE "British" diesel-engined cars are to be launched soon: but all will use foreign engines.

A turbo-charged Rover saloon with a diesel engine is to be announced at the Turin Motor Show next month. It will incorporate a four-cylinder, 2.5 litre diesel engine made by VM, the state-owned Italian concern.

The diesel Rover is aimed particularly at markets in Italy, France and West Germany, where diesel cars account for 7 to 10 per cent of total new car sales, compared with under 1 per cent in the UK. However, the Rover diesel is likely to be offered in Britain later this year.

In June, two diesel cars wearing Vauxhall badges will go on sale. Vauxhall will use the 1.6 litre "Family Two" diesel engine produced by Opel, its sister company in West Germany. Both Vauxhall and Opel are owned by General Motors of the U.S.

The Vauxhall Astra and Cavalier will be "British" because they will both be assembled in the UK at Ellesmere

Port on Merseyside and at Luton, Bedfordshire, respectively.

Vauxhall believes the diesel Cavalier in particular could carve out a new niche in the market by being the only "British" model available to fleet buyers.

However, the first British diesel car with a British engine is likely to be the Ford Escort. Ford has spent £17m "dieselize" its 1.6 litre Kent engine which will be produced at Dagenham.

This project has been pulled forward six months so that production can start early next year, according to the Engineer magazine. Ford refuses to discuss future products but it could be that the group does not want the diesel Cavalier to gain too much of a lead in the fleet market.

Meanwhile, BL is pressing on with its long-delayed attempts to produce an adequate small diesel based on its "O" Series engine.

BL is also involved in a joint venture with Perkins to dieselize the Rover V8 engine

at a cost of £10m. This project is on schedule for launching in the autumn of 1983. The engine should power new Land-Rover models which should be available by then.

The Rover V8 diesels will be manufactured at the Acocks Green, Birmingham, engine plant where output currently is only 550 a week compared with a capacity of 2,000.

Mr Mike Hodgkinson, Land-Rover's managing director, estimates production of the new diesel will be 500 to 500 a week.

Perkins has the right to assemble the engine from Land-Rover-produced components and sell it to its usual customers. Perkins is likely to concentrate mainly on marine sales.

Originally there was a plan to install the Italian VM diesel in the Range Rover as an interim measure until the Land-Rover Perkins unit was available. But Range Rover sales are so buoyant at the moment because of the success of the four-door version, this might not be done.

## Canning plans £1.75m factory

By ARTHUR SMITH, MIDLANDS CORRESPONDENT

DETAILS of a £1.75m project, which it is claimed will provide the biggest self-contained factory to be built in Birmingham over the last three years, have been given by W. Canning, the electronics, chemicals and metals company.

But Mr David Probert, chief executive, criticised the Government's economic strategy and the "Alice in Wonderland" rating policy of the local authority.

W. Canning Engineering, which claims to be Europe's largest manufacturer of plant and equipment for metal finishing, will move into a 71,000 sq ft building expected to be completed by the end of the year.

Mr Probert said the decision could be seen as "an act of

madness" by a capital goods group the day after the FT index had fallen 12 points. There was no sign of the recession lifting, and the company's major customer—airspace—was suffering from the downturn.

But he said investment was necessary for a company like his which exported 55 per cent of its output of 50 countries. It was essential to offer modern facilities in order to compete with West Germany, Japan and the U.S.

Mr Probert said that the problem of manufacturing industry in the West Midlands was a lack of home demand.

Mr Probert said the Government had failed completely to understand the collapse that

was taking place in UK capital investment.

The Canning group had cut its labour force from 2,300 to 1,300 over the past 30 months. The engineering company, faced by a drop in volume demand of about 25 per cent had more than halved its employees to 214.

Mr Probert said Birmingham had not been the ideal site for the new factory as incentives were on offer to move to other parts of the country. However, the key factor was the need to keep together a skilled and loyal labour force.

The high level of rates in Birmingham had influenced the move. The company would pay only half the rate for the modern factory that it currently paid on its old-fashioned multi-storey 3'0.00 sq ft building.

## Esso, Phillips cut oil product prices

By SUE CAMERON

ESSO and Phillips Petroleum last night followed the lead given by Shell on Wednesday, and slashed oil product prices for their commercial customers by between £2 and £6 a tonne.

But the oil companies are admitting privately that the move to lower wholesale prices is little more than a formality. They say price cutting—in the form of ever-larger rebates to bulk buyers—has been going on for months.

Last autumn many manufacturers buying diesel, gas oil—used for heating—and fuel oil were receiving rebates of between 10 and 20 per cent. The biggest rebates were on fuel oil, where UK demand dropped

by more than 18 per cent between 1980 and 1981.

But industry experts say that, in the last six months, the size of the rebates that oil companies have been giving their customers has risen by as much as 50 per cent.

Last night Esso said its oil product price cuts, which came into effect at midnight, were a recognition of the "continuing surplus in crude production and in refining capacity."

Esso has cut the prices of its petrol, diesel and gas oil to commercial customers by 2p a gallon.

It has also cut regular kerosene—used for domestic

heating—by 1p a gallon, and medium and heavy fuel oil—used to raise steam in power stations and industrial boilers—by 0.3p a gallon. These price cuts are the equivalent of reductions of between £2.15 and £6 per tonne.

Esso reduced the retail diesel price by 1.5p a gallon, and said that it expected pump prices to go down by around 2.5p a gallon.

Phillips cut diesel and gas oil prices by £3.30 a tonne, kerosene by £2.74 a tonne and fuel oil by £2.15 a tonne. Other oil companies are expected to make similar reductions during the next week.

## Hope burns bright as kings of coal pay their respect

By JOHN ELLIOTT AND JOHN LLOYD

IF THE Gods were to institute a "professional optimism of the year award," there could be few more worthy recipients than Sir Derek Ezra, the outgoing chairman of the National Coal Board, and Mr Joe Gormley, the retiring president of the National Union of Mineworkers.

"We have an industry which has recovered from the doldrums and is surging forward," Sir Derek said yesterday at a joint news conference with Mr Gormley. "So we say to our successors—keep on that path."

In the midst of Britain's worst recession for 50 years, there can be few industrial leaders who would dare to make such an ebullient statement—particularly if their company depended, as will the NCB in 1981-82, on £460m of taxpayers' money to break even.

But Sir Derek and Mr Gormley—who assumed the leadership of each side of the industry in 1971 and will retire this year—could be forgiven, perhaps, for a rose-tinted view of the industry yesterday.

The two men have presided over a remarkable turnaround in the coal industry's fortunes. In 1971, when oil was still cheap, the NCB looked set

for irretrievable decline. Today, despite dependence on government grants, its long-term outlook appears bright.

The big turnaround came in 1973-74, when the price of oil quadrupled and coal became the "fuel of the future." The NCB, NUM and the Government drew up in 1974 a scheme for the revival of the UK industry—the Plan for Coal. That set in motion a huge capital expenditure programme to modernise pits and boost output. To date, more than £3bn has been spent.

Both men agreed yesterday that the Plan for Coal was their proudest achievement. Mr Gormley said: "It established a new feeling in the industry. It gave it a dignity that was not there before." Yet progress under the plan has been mixed. The modernisation of old pits and the construction of new ones—such as Selby, in Yorkshire—has given the UK some of the most efficient collieries in Europe.

But the NCB's elderly, loss-making pits have been closing at a slower rate than the plan envisaged. The result is that the NCB's productivity is only slightly higher than 10 years ago.

The Derek and Joe show takes a curtain call. Martin Dickson and John Lloyd report.



TAKING A BOW... Sir Derek Ezra, right, with Mr Joe Gormley at the Coal Board headquarters in London yesterday.

Sir Derek pointed out yesterday that for years the NCB had been starved of investment. It took time for the new injection of capital to produce results. Since 1978/79, productivity had been improving, he said.

tivity has been rising.

The result has been greater dependence on the Government, which in 1980 published a Bill to make the industry break even by 1985/86. It had to drop this target last year when faced with a miners' strike over threatened pit closures and Sir Derek yesterday suggested that the board would not be able to break even without grants until 1988—if then.

Over the next few years the board is likely to face government pressure for tighter expenditure controls. On pay, Sir Derek and Mr Gormley suggest replacing the annual talks with a three-year contract. "Far too much of one's time in a year has to be taken up with this issue," Sir Derek complained.

Mr Gormley confessed there would be opposition in the NUM to that proposal, however.

The left do not want it and it may be confidently supposed that Mr Arthur Scargill will have none of it. Mr Mick McGahey, the NUM vice-president, rejected it yesterday as "a non-starter."

The right-led Nottingham colliery, said yesterday: "There are more disadvantages than advantages in this idea."

The U.S. United Mineworkers admitted yesterday that it had not renegotiated a contract without a strike since the early 1960s. Mr Mike Hall, a UMW official, said last year it endured a 72-day strike over pay.

But Mr Hall added that neither the union nor employers wanted yearly deals: "It was felt that the three-year agreements improve industrial relations and cut down on strikes."

Whatever the fate of the Ezra-Gormley plan, management-union relations look set for a more difficult time. There must be few union leaders prepared to share a conference platform with the chairman of their industry and declare, as Mr Gormley did yesterday: "I am very proud to be associated with Sir Derek as chairman."

The cosy Derek and Joe show is over. Their successors will need all the optimism they can muster.

## Scheme to divert city's jobless with sport

By Ian Hamilton Fawcett

THE sporting heroes of Liverpool and Everton football clubs will be asked to help in a scheme to use sport as a major diversion for jobless youngsters in Liverpool's inner city.

The initiative—which comes as the anniversary of last summer's football riots approaches—is being organised by the Merseyside Youth Board, the body of middle managers seconded from their jobs to help Mr Michael Heseltine, the Environment Secretary, with Liverpool's problems.

Mr David Mitchell, who joined the task force from British Rail, yesterday held a meeting with representatives of the city's two first division football clubs, the churches, education authorities, voluntary organisations, the Sports Council and the Football Association. Also present were Merseyside's Deputy Chief Constable, Mr Peter Wright, and Mr Frank McIlhenny, Labour MP for Glasgow Queens Park, who has experience of a similar initiative in Scotland.

Details have yet to be finalised, but local companies are likely to be asked to subsidise up to £50,000 for capital projects and running costs. Players from the Liverpool and Everton teams will be used to promote the scheme and persuade young people to join in. The two football clubs have been asked to stage open days to encourage people to become involved.

Mr McIlhenny said: "Getting the stars involved will get young people off the street. It's no use just building shining facilities; they only get vandalised."

The initiative is likely to involve multi-use of existing sports facilities, such as those in schools. Money would be needed, Mr Mitchell said, to pay extra caretakers. Capital projects would probably be small, involving the building of all-weather surfaces.

The organisers want to involve people who are qualified football coaches as well as existing local football teams, to help run the scheme. Mr Mitchell said: "We are conscious that there are many other sports besides football, but we have to start somewhere."

The organisers admit their scheme is no substitute for jobs, but feel it will still prove valuable if it helps to avert a repetition of last year's riots.

## Lloyds lauds its own social awareness

By Alan Friedman

THE IMAGE of banking with a social conscience was put forward by Lloyds Bank yesterday with the publication of what it is calling the first known "statement of social policy" by a British bank.

Sir Jeremy Morse, chairman of Lloyds Bank, remembers the words of John Donne, the metaphysical poet, in his introduction to this unusual document. "No man is an island, entire unto itself," Sir Jeremy apparently sees a parallel between Donne's words and the world of banking. The new Lloyds booklet is devoted to expounding the bank's social policy.

Although some detractors in the banking world yesterday likened the Lloyds booklet to the corporate public relations efforts of some U.S. companies, there can be no questioning that Lloyds, the smallest of the Big Four clearing banks, is contributing to British life.

Lloyds said yesterday it saw a need for social accounting as well as financial accounting. "We owe a wider debt to society at large," was the explanation from the bank.

In the field of education, Lloyds claims to be one of the few banks which contribute to learning programmes. It is less than clear, however, what Lloyds Bank is making a major contribution to society with its own business name for fifth formers—known as Bank Loan.

In a bold attempt to address the question of equal opportunity and women's rights, Lloyds Bank even responds to criticism over the "small number" of women in management posts.

The bank offers equal opportunity in training and promotion. It claims the Lloyds document is a statement which may not really offend feminists. Lloyds Bank declares: "The simple fact that many women choose to marry and have families has inhibited their progress up the executive ladder."

The bank does not stop there. It heaps praise upon women who take the Institute of Bankers' examination, concluding: "In recent years some girls have done as well as boys in the examinations."

## Plessey workers vote to end sit-in at Scottish factory

BY MARK MEREDITH, SCOTTISH CORRESPONDENT

WORKERS IN the Plessey capacitor factory at Bathgate, near Edinburgh, voted yesterday by nearly three-to-one to end a sit-in after about 90 days and accept a proposal which would keep the plant open.

The sit-in began late in January following Plessey's decision to close the factory. About 320 jobs at Bathgate would have been lost, so about 300 workers, most of them women, decided to occupy the premises.

Following talks with management in London this week, the workers were presented and agreed to a plan under which Bathgate would be bought out as part of a takeover of Plessey's capacitor factories in Britain, Italy, West Germany and the U.S. by Arcoelectronics Company.

About 80 jobs are to be saved at Bathgate and there are hopes that more may follow later. A union official at Bathgate said that as part of their agreement, Plessey had

agreed to underwrite the wages of the 80 workers for a year.

Full redundancy pay is being restored to participants in the strike who have been dismissed.

Plessey took the protesting workers to court so as to end the occupation, however, proceedings were suspended on news of a possible buyer. Mrs Ina Scott, one of the union convenors at the plant, said she did not consider the vote a defeat since she had originally faced the future with no plant and no job.

The sit-in is to continue until tomorrow while details are worked out with management and the workers decide which or them will get the 80 remaining jobs.

The sit-in became a focal point for Bathgate's problems of unemployment and industrial decline. Many of the women at Plessey have husbands at the nearby Leyland vehicle works, which was also a strike last month.

## Moderate unions in recruitment pact

BY BRIAN GROOM, LABOUR STAFF

TWO moderate TUC unions launched a joint move yesterday to increase their memberships among professional and managerial staffs in aerospace, engineering and shipbuilding.

The pact is between the Electrical and Engineering Staff Association (Eesa) — which is the staff section of Mr Frank Chapple's Electrical and Plumbing Trades Union (EPTU) — and the Engineers' and Managers' Association (EMA).

The Eesa and EMA have buried their differences in an attempt to gain an advantage over their more left-wing rivals in a field which is open to further unionisation.

Mr John Lyons, EMA general secretary, said their initiative was bound to be resented by the Technical, Administrative and Supervisory Section (TASS) of the engineering union, and by the Association of Scientific, Technical and Managerial Staffs (ASTMS).

The core of the Eesa-EMA effort is to be a joint approach to the Engineering Employers' Federation, seeking national recognition for collective bargaining. The EEF recognised five white-collar unions, but not Eesa or EMA.

These two will now seek bargaining rights for senior staff.

Lyons recognised that the EEF would be the major area of difficulty, but he said "they cannot brush us off." The unions' joint approach will be backed by an assurance to the employers that there will be no difficulties between the two over recruitment.

EMA wants to join the Confederation of Shipbuilding and Engineering Unions, of which the EPTU is a member, but TASS, in particular, has mounted stiff resistance to this. The agreement with the EEF sought by Eesa and the EMA would not mean national pay talks, but it would bolster both unions' efforts to win recognition in a large number of EEF companies.

The two unions have a total membership of 15,000 among managerial staff in aerospace, shipbuilding and engineering, but hope to recruit considerably more. Shipbuilding management is already strongly unionised, but they estimate that there is a potential for bringing in 10,000-12,000 new members in aerospace and over 150,000 in engineering.

## Civil Service unions vote to accept new technology

BY PHILIP BASSETT, LABOUR CORRESPONDENT

THE GOVERNMENT secured trade union acceptance yesterday of an interim agreement on introduction of new technology in the Civil Service.

The agreement, which comes into force on Monday, includes a guarantee that no compulsory redundancies will arise from new technology during the agreement's two-year lifetime.

For the Government, the deal is a breakthrough in its efforts to introduce more computers into the Civil Service. The service is already the largest single user of computers in the UK, with 650 medium-to-large computers, 700 micro-computers and 500 word-processors already in use.

For the Civil Service unions, the agreement provides a breathing space until what they hope may be a better political

climate. They have not sold the pass on such major areas as computerisation of Pay-As-You-Earn taxes, which falls outside the two-year period, though pilot studies are going ahead, but have also won no improved benefits, particularly a shorter working week, in return.

The agreement offers the unions considerable consultation on introduction of new technology, though it acknowledges that it will result in loss of a number of jobs.

A special meeting of the full Council of Civil Service Unions approved the deal yesterday by 48 votes to 17. This vote was expected after the votes of individual unions, and particularly, after the Inland Revenue Staff Federation delivered a key vote in favour

## BSC in Ravenscraig productivity deal

BY MARK MEREDITH AND BRIAN GROOM

BRITISH Steel Corporation and its biggest union have reached agreement on a pay and productivity scheme for the Ravenscraig and Gartcosh steel works — averting a crisis at the Scottish complex.

The work scheme led to a strike by the Iron and Steel Trades Confederation, representing about half the workforce, last week. BSC warned that the future of the plant, which has been making heavy losses, was at stake unless an agreement on productivity was reached.

Similar agreements have been reached at most of BSC's other

steel plants in Britain. Of five key integrated works, only Scunthorpe has yet to reach one.

The local productivity negotiations, providing increases in lump-sum bonuses which in some cases will give double-figure pay increases, are taking the place of a national pay award.

Unless trouble erupts at the remaining works yet to sign — which is not expected — BSC will have largely achieved its substantial productivity changes. These include: redundancies towards the corporation's target of a 92,400-strong workforce by next April; key agreements on

flexibility between grades; and modified manning levels.

This has been achieved in spite of initial opposition from the ISTC, which threatened a national overtime ban before agreeing to the local deals in February.

About 200 of the 600 jobs to be phased out at Ravenscraig were to come from members of the Iron and Steel Trades Confederation. About half the 600 have already left.

The union staged its walkout when management tried to implement the changes without agreement. Talks resumed and the strike ended after discus-

sions between Mr Bill Sims, ISTC general secretary, and senior officials from BSC. British Steel gave unions until the 19th to reach agreement.

The Ravenscraig and Gartcosh complex comprises one of British Steel's most modern works. Under a modernisation plan started in the mid-1970s, the works achieved a very good pedigree for steel production — producing about 80 per cent of its steel with the modern heat and labour saving system of continuous casting.

As the plant, part of the British Steel strip products

division, was completing its modernisation, one of its main customers, the Chrysler Linwood works nearby, was closed, nearly one year ago.

Geography has tended to work against the plant, and Ravenscraig has had to write transportation into its costs of production. Union officials yesterday were optimistic about the outlook for the plant. "We have a future and we will stand by our agreement. We are ready to break more records in steel production," Mr David Henderson, an ISTC official at the plant, said.

## Ford foremen halt Halewood

BY BRIAN GROOM, LABOUR STAFF

ESCORT CAR production at the Ford factory at Halewood, North Merseyside, was halted yesterday when 600 foremen began an unofficial 48-hour strike over a disciplinary issue.

The stoppage is expected to continue today and will prevent the production of 1,700 vehicles worth more than £7.5m at showroom prices. Ford hopes to resume full production after the week-end, although it was unclear yesterday whether this would

happen. It has not laid off any of the 10,000 hourly-paid workers in the body and assembly plants.

The company offered no explanation for this unusual decision. About 4,000 workers were laid off during a paint shop disciplinary dispute earlier this month.

The present dispute began a fortnight ago when management argued with hourly paid workers over whether relief workers in the headlining area should be put on glueing

work.

Two foremen refused to operate an interim procedure, and management told them they would receive written warnings. Their colleagues — members of the Association of Scientific, Technical and Managerial Staffs — met and decided to walk out.

Output at Halewood has greatly improved this year, with production of 950,000 cars a day being regularly reached, compared with an average 700-750 last year.

## Contract dispute at BBC

FINANCIAL TIMES REPORTER

JOURNALISTS EMPLOYED by the BBC's Russian service called for a 24-hour strike from 9 am yesterday over the "cessation of a Soviet Jew whose contract with the Corporation has ended."

The BBC declined to renew the contract of Mr Elin Maidanik after his five-year employment had ended. According to the National Union of Journalists and Association of Broadcasting Staff, criticisms were made about the quality of his radio voice.

The unions are angry that Mr Maidanik, who has settled in

England after being recruited by the BBC in Israel, is now effectively without a job.

As a protest, the Russian service journalists called the strike, to draw attention to the plight of foreign staff employed by the BBC.

The Corporation's foreign service said that the BBC followed a "fresh blood" policy in recruiting foreign staff. The idea was to have a regular turnover of people.

The BBC said yesterday afternoon that the Russian service had not been affected

## Jobs Bill attacked at women's conference

WORKERS ARE being bribed by the Government to desert their trade unions, according to Mrs Marie Patterson, chairman of the TUC Women Conference which opened at Bournemouth yesterday.

The Employment Bill proposes generous compensation for people dismissed as a result of union membership agreements.

But Mrs Patterson, chairman of the women's advisory committee, said: "It offers financial bribes to workers not to be trade union members."

"There is no doubt that the Government's intention is to make effective union membership, agreements and arrangements, unworkable. A worker, dismissed for non-membership, could be awarded £2,000 by an industrial tribunal and a minimum of £10,000 if re-instatement is impracticable."

Mrs Patterson, a TUC member for 18 years and its longest serving member, also saw the Bill as a further attack on women workers.

She accused the Government of taking advantage of rising unemployment to divide workers by suggesting that women were taking men's jobs.

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## Wales TUC to seek aid for workers' co-operative plan

BY ROBIN REEVES, WELSH CORRESPONDENT

THE WALES TUC is to seek aid to help set up a centre for developing a workers' co-operative along the lines of the successful Mondragon enterprise in Spain.

According to details disclosed yesterday, the Wales TUC will seek an initial contribution of £150,000 from various sources to establish a Welsh co-operative development centre, with a full-time staff headed by a director accountable to a board.

The scheme follows an inquiry into the feasibility of setting up a workers' co-operative to help overcome the massive loss of jobs over the past two years.

The structure draws on the experience of the Mondragon co-operative experiment in the Basque provinces of Northern Spain, where nearly 20,000 jobs have been created over the past 25 years.

Last month Mr Nicholas Edwards, the Welsh Secretary of State, agreed to look at detailed proposals. However, the Welsh office is stressing that although the Government was

happy to fund the feasibility study, is not yet committed to contributing to the final scheme.

The Wales TUC's proposals also envisage an initial investment fund of £500,000, of which £200,000 would be invested in short-term gilt edged stock to underwrite loans to co-operative ventures and workers launching them.

Even assuming a default rate of 10 per cent, the computer model predicts that the fund's annual income via savings would eventually stabilise at £400,000 per annum after six years.

Mr George Wright the Wales TUC General Secretary, said they were looking for a positive response from Mr Edwards. He noted that the Scottish Development Agency were planning to make some £200,000 available to the Scottish Co-operative Development Committee over the next three years.

The Wales TUC also plans to approach the EEC, MSC, the Gulbenkian Foundation and the Joseph Rowntree and Nelchett Trust for financial aid to launch the centre.

## Midland attacked on Stone-Platt receivership

By Ivor Owen

A NEW approach by the banks to the needs of manufacturing industry was urged by Mr Geoffrey Robinson (Lab, Coventry North West) in the Commons yesterday when he condemned the Midland Bank for forcing Stone-Platt, textile machinery makers, into receivership.

He emphasised that the company had been hit by the support of successive Conservative and Labour governments, to overcome difficulties which prevented it keeping up with international competition. By producing good, technically advanced products, said Mr Robinson, the company had become world leaders in its field, and was currently breaking even and operating within its bank facilities.

He asked: "Does anyone really believe that Japan would put such a company through the hoop of enforced receivership with the loss of confidence and uncertainty it creates in the market place?"

Mr Robinson contended that the situation was all the more deplorable because in a matter of days the Midland would be announcing record profits.

He forecast that the Stone-Platt receivership would come to be seen as a "major black-spot" for Britain's banking institutions.

It marked the nadir of the failure of the banks to understand and cater for manufacturing industry, particularly medium-sized engineering companies like Stone-Platt.

Mr Robinson's application for an emergency debate on the issue was rejected by the Speaker, Mr George Thomas.

## Foot and Thatcher clash on arms offer response

By Ivor Owen

AN ANGRY Mrs Thatcher yesterday told Mr Michael Foot, the Opposition leader, to lecture Soviet President Brezhnev rather than President Reagan and herself on the need for faster progress towards nuclear disarmament.

In Question Time exchanges in the Commons Mr Foot attacked the Prime Minister for failing to follow up effectively the disarmament proposals put forward by the Soviet Union in the autumn of 1979.

He welcomed the fact that the Prime Minister had now accepted the Opposition's advice and agreed to address the United Nations second special session on disarmament in June.

But Mr Foot wanted to know if President Reagan had consulted Britain before turning down "without any consideration" President Brezhnev's latest proposals to institute a unilateral freeze on the deployment of new medium range nuclear missiles in the Soviet Union's European sector.

Mrs Thatcher reminded Mr Foot that President Brezhnev's latest proposal would have the effect of freezing the Soviet Union's total superiority in theatre nuclear weapons and that it had been preceded by President Reagan's backing for the so-called "zero option".

Recalling that the Opposition had already welcomed the earlier statement by President Reagan, Mr Foot stressed: "We

believe that if that proposal can be translated into a full-scale zero option we might be making some progress."

He argued that had the British Government acted in the autumn of 1979 negotiations could have been under way before the Russian SS-20 missiles were deployed in their present positions.

Mrs Thatcher snapped: "You should address your advice to President Brezhnev because it takes two to get to a zero option."

In any case, she added, Britain had not participated in the earlier Strategic Arms Limitation Talks, which had been conducted by the United States and the Soviet Union.

## Commons Sketch

### Good news for the friends of Willie

By Elinor Goodman, Political Correspondent

THE LAST few days have been very worrying for members of the Society for the Preservation of Willie Whitehead, the Home Secretary.

Anxiety has grown for this marvellous one-man institution, as the Tory hangers and floggers mounted a shrill campaign against his alleged "soft" approach to crime.

There is good news, however, for those of us who have treasured Willie's performance over the years. Once again, in the Commons yesterday, his unique use of the English language left his critics virtually speechless.

Why was crime going up at a time when more resources were being poured into the police?

Answer: "The community as a whole needs to examine these facts. There are many reasons for it, but no excuses."

But the highlight of the afternoon came a little later during questions to the Prime Minister.

Suddenly, the whole law-and-order campaign rebounded, leaving Mrs Thatcher flat on her face. The man who had completed this was that cagey old campaigner, Jim Callaghan, the former Prime Minister.

It was soon clear that there was going to be little to satisfy what Labour spokesman Peter Shore described as the "unhappy business" of the Tory right wingers.

"I do not think corporal punishment will return to this country," Mrs Thatcher declared to cheers from Labour and an uneasy silence on her own benches.

The disastrous sequence started when Mr Ivor Stannbrook (Con, Orpington) rose to question the Prime Minister.

"Despite the valiant efforts of the Home Office to which I and my honourable friends pay tribute..." he began.

At this, the Opposition broke up in taunting laughter. Could this really be the Mr Stannbrook who had been one of the leaders of the hue and cry against Mr Whitelaw?

"Get your knife out of Willie's back," shouted left-winger Mr Bob Cryer helpfully.

The substance of Mr Stannbrook's question hardly reflected the sense of outrage we were led to believe existed on the Tory back benches over the figures for increased crime. It was an anodyne response to a crime being influenced by many factors, including the family, school, church and television.

A much tougher question came from Mr Alfred Dubs (Lab, Battersea South), who pointed out that the number of serious crimes had declined when Mr Callaghan was in power.

Mrs Thatcher, who seemed taken aback by this, rapidly thumbed through a sheaf of statistics and finally suggested that the number of murders were at their greatest during the time of the last Labour government.

Mr Callaghan, who was affectionately known as "Pe Piod" during his term at the Home Office, ominously rose from his seat to put his case before the court.

It was, he said, a simple statistic that the serious crimes, such as violence against the person, burglary, robbery, criminal damage and handling stolen goods, had declined each year when he was Prime Minister and gone up every year during Mrs Thatcher's term of office.

With refreshing frankness, he admitted that neither he nor Mrs Thatcher had any influence at all upon those statistics.

At this, Mrs Thatcher desperately floundered through her papers again and blurted out a full confession.

"I'm sorry, I cannot reinforce what I said about the number of murders. I was, in fact, thinking about something else."

She explained that she had been mistaken and had really meant to refer to the number of policemen who were killed while the Labour government was in office.

In the ensuing uproar, the Speaker, Mr George Thomas, had to introduce some law and order of his own, while Mrs Thatcher declared: "What has happened has made a trivialis of something which is extremely serious."

All in all, it seemed to have been a fair cop for Jim.

Another intriguing minor development should not pass without note.

Mr Patrick Mayhew, Minister of State at the Home Office, yesterday emerged as a worthy acolyte of Mr Whitelaw.

In a written reply to a suggestion that rapists should be castrated, he declared: "There is already sufficient reason to doubt the effectiveness of castration in preventing further sexual offences."

Willie could not have put it better himself.

John Hunt

## Alliance candidates agreed for over 400 English seats

By Elinor Goodman, Political Correspondent

THE SDP and the Liberals have agreed on a roughly equal share-out of seats in two-thirds of the constituencies in England.

The local negotiations which began just before Christmas and have at times put very serious strain on the Alliance have produced agreements covering more than 415 seats.

Mr David Steel, the Liberal leader, and Mr Bill Rodgers, the member of the SDP leadership responsible for the negotiations, said in a joint statement yesterday that "except for a handful of constituencies" they were confident that agreement would have been reached throughout the country by the original deadline at end of March.

In a statement which seemed timed partly to demonstrate to the electorate of Hillhead the harmonious relations between the two parties, the two leaders claimed that "in view of the many factors that had to be considered" the progress so far was a "remarkable achievement" which reflected greatly to the credit of all the local party members who had been engaged in negotiations and had been obliged to make concessions and "sometimes accept difficult decisions."

Provisional agreements have been reached in 16 other negotiating units including the rest of Greater London, part of Greater Manchester, East and West Sussex, Essex, Hampshire, the Isle of Wight, Kent, Lincolnshire, Norfolk and Suffolk, Northamptonshire and Leicestershire, North Yorkshire, Humberside, Somerset, Dorset, South Yorkshire, Surrey, Tyne and Wear and Northumberland, Warwickshire, and the West Midlands.

The parties said that negotiations were continuing in the remaining 13 units.

Nevertheless, some constituencies are creating problems and agreement still has to be reached in two of the areas containing seats in which the Liberals have done particularly well in the past—Devon and Cornwall.

Negotiations are still going on in central London where the SDP hopes to fight twice as many seats as the Liberals.

Earlier this week the two parties announced that they had agreed how to share-out seats in Scotland. Yesterday's announcement confirmed the deals struck in Nottinghamshire, Derbyshire and parts of greater London.

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## Walkabout Heath pulls in the crowds

By Mark Meredith, Scottish Correspondent

A VOTE-CATCHING walkabout by Mr Edward Heath on Glasgow's Hyndland Road turned out to be the major media event of the day in the Hillhead by-election campaign yesterday.

Reporters outnumbered passers-by and shop attendants by at least 10 to one as Mr Heath shook hands, affirmed his admiration for Mr Roy Jenkins, the Social Democratic-Liberal Alliance candidate, but urged voters

to back Mr Gerry Malone, the Conservative candidate at the polls on March 25.

The Jenkins camp meanwhile produced its own canvass of support—possibly to confound recent unpromising opinion poll results. This showed them ahead with 24 per cent of the vote, the Conservatives at 21 per cent, Labour with 15 per cent and the Scottish Nationalists 7 per cent.

The "don't know"—the main target of Alliance attention in Hillhead—accounted for 27 per cent.

A recent poll estimate had put the "don't know" at around 10-12 per cent.

In an improvised press conference at a shop serving as local Conservative Party headquarters, Mr Heath betrayed a slightly more interventionist line on the economy than many in his party.

"We've got to use all the weapons we have in the economy to keep it balanced while we provide jobs," he said.

During his time in government he had worked for a proper balance between Scotland and the rest of the United Kingdom, particularly on employment, he said.

His economic proposals sounded similar to those of Mr Jenkins, one reporter noted.

"Yes" replied the former Prime Minister, with a grin like a Cheshire cat.

Yes, he was an admirer of Mr Jenkins's work as a European Commissioner, but that was no reason that he should be elected a Member of Parliament, Mr Heath said.

"As you know I express my views to the Government and sometimes they take notice and sometimes they don't. At the moment they're taking rather more notice."

Mr Heath and Mr Malone, followed by a herd of the shop to shop discussing nation's Press, went from questions of capital punishment and the economy.

Politics Today, Page 27

## Rhine forces 'hampered' by spending restrictions

By Bridget Bloom, Defence Correspondent

THE operational efficiency of British forces in Germany is being hampered by cuts in spending on fuel, spares and training, the Commons select committee on defence said yesterday.

The committee notes in a report that restrictions on ammunition use by the British Army of the Rhine (BAOR) have brought training time down to 75 per cent of the approved training scale, while fuel shortages have reduced tank training.

The Royal Air Force faces even more worrying problems, the report says.

"At a time when the demands of fast jet aircraft have become greater, the number of flying hours has been progressively reduced," it notes.

Flying rates endorsed by the RAF in 1977 as the minimum required to maintain operational standards—and endorsed by the Nato command—were reduced in 1980-81 and again last year because of financial pressures, the Committee notes.

"We are in no doubt that the efficiency of RAF Germany will suffer if training standards are not maintained," it says.

The report covers a visit the committee made to the central German front in October. Secret details of evidence taken

later from the Ministry of Defence are replaced by asterisks.

The committee notes the actual number of training hours flown here by the RAF in Germany, compared to Nato requirements.

Severe cuts in the budget for British forces in Germany were introduced in 1980-81. Under pressure of overspending, the Defence Ministry also introduced a moratorium on defence contract payments.

The committee notes that the cost of British forces in Germany in 1981-82 (excluding equipment) represented 8.4 per cent of the total defence budget of £12.3bn. Costs will be reduced by some £20m as a result of reducing personnel to the 35,000 guaranteed by treaty.

The committee says the restructuring proposals are "realistic" but it believes more savings could be found in the long term—for example, by amalgamating the separate BAOR and RAF medical services.

It also criticises the British Rapier air defence system, which it saw in position at RAF Wildenrath.

"Since Rapier is such an outstandingly effective system it is most regrettable that its operating position can so easily be detected by the noise of a generator," it says.

## Tory revolt on jobless benefit restoration call

By Ivor Owen

THIRTEEN Tory backbenchers staged a revolt in the Commons last night when the Government refused to restore the 5 per cent cut made in unemployment benefit in November 1980 in lieu of taxation.

They voted with the Opposition in an unsuccessful bid to have the cut made good, because of an undertaking given during the passage of the Social Security (No. 2) Bill 1980.

Mr Hugh Ross, Minister of State for Social Services, denied that a specific undertaking had been given, and claimed that words used by Mr Patrick Jenkin, the former Social Services Secretary, had been taken out of context.

He said expenditure in excess of £50m would be needed to restore the cut, and his could not be provided this year.

Mr Rossi reaffirmed that the Government would keep the matter under review, and promised that the 5 per cent cut would not be allowed to become a permanent reduction.

While the cut could not be restored now, it would be made good "at the right time."

An Opposition new clause to the Social Security and Housing Benefits Bill, designed to make good the 5 per cent reduction, was defeated by a majority of 30 (248-218).

Patricia R. Curtis, consultant in direct marketing. It discusses the basic principles of pricing in direct marketing—important to everyone involved in this field.

A précis of the article is given here. For your free copy of the full text, please use the coupon.

Periodically the Royal Mail commissions articles by independent experts on various aspects of mail order and distribution. One of the areas covered is direct marketing—the unique field of selling which offers so much through its flexibility and prospects for return on investment.

The latest in our series of articles is written by

# Pricing strategy in direct marketing

The sensitivity of direct marketing brings a unique flexibility in pricing—the reaction of the public allows an almost immediate decision on whether the initial pricing has been right or wrong. But two crucial factors must be established at the start: the variable cost of selling the product, and the total costs that apply to direct marketing.

Three kinds of marketing tactics are available in direct response: cash with order; free examination (try now, pay later); and two-stage (send for information, we'll follow up). In each case, three cost factors must always be added to the cost of the product and its advertising when determining the final asking price: sales administration, other overheads and profit contribution. Then further factors need to be allowed for in each of the three marketing tactics, as follows...

**'Send cash with order'**  
Allowance must be made for the cost of queries and exchanges. Credit facilities and Freepost are major incentives but need to be included in the cost, as does the return of products by dissatisfied customers.

The Table shows a typical breakdown, establishing that a product costing £10 to obtain and being sold at £30 can afford a 'cost of selling' of only £7.20.

**'Send no money now'**  
When goods are offered 'on approval', extra costs to be allowed for include credit vetting and bad debts.

Many companies that operate on this basis (book/record clubs, mail order catalogues, etc.) do not expect to make a profit on the initial transaction; they break even at the start and make their profit in the longer term.

### 'First send for information'

A two-stage operation involves further basic costs: free gifts, maintenance of mailing lists, the second stage postage and administration, literature... Since the object of the advertising is to generate enquiries, the determined

An example of how the article computes the allowable cost of selling a product by the cash-with-order method.

CASH WITH ORDER COMPOSITION		
Fixed Costs		
Product	£10.00	
Overhead	2.00	
		£12.00
Variable Costs		
Admin	2.00	
Queries/exchanges/return postage, etc.	2.00	
Credit cards (% of sales)	0.65	
Freepost on order	0.13	
15% Returns/refurbishing etc.	3.02	7.80
Profit		3.00
	Total	£22.80
Selling Price	£30.00	
Less	22.80	
Allowable selling cost		£7.20
Break-even selling cost (nil profit)	£10.20	

price of the product has to allow for the conversion rate as well as the cost per enquiry. This raises the price, but the article suggests various methods of counteraction.

### Advertising Matrix

In the article, the author devises a matrix for measurement of the viability of press advertising in direct selling of a product—comparing targeted figures with proved responses for similar ventures in the past. The decisions made by the use of such a matrix can then be confirmed or denied by a tightly-controlled test programme that costs comparatively little.

The author concludes by counselling that in direct marketing it is advisable to test and re-test—not only the price but also credit facilities, Freepost, etc. The results of such tests are the only way by which the customer can show he accepts or rejects your price.

To: The Woolwich Postal Marketing Department, FREEPOST (no stamp required), 2225 Finchley Square, LONDON N3 2JQ. Please send me a copy of the full article 'Pricing strategy' in direct marketing.

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Share Accounts	8.75%	12.50%
Premium Interest Shares	10.75%	15.36%
Higher Interest Shares	9.75%	13.93%
Savings Plan Accounts	10.00%	14.29%
Monthly Income Shares	8.75%	12.50%
Deposit Accounts (Ordinary Personal)	8.50%	12.14%
Flexible Term Shares and Investment Certificates	The rate of interest on all Term Shares and Certificates will be reduced by 1%.	

Mortgages: Interest on new mortgages and existing mortgages with account numbers commencing 91, 94 and 96 will be reduced by 1.5% on 1st April 1982. A similar reduction will apply to all other existing mortgages from 1st May 1982. The normal effect of this reduction will be to shorten the term of repayment mortgages; however, where present monthly payments are based on at least a 15% interest table, they can be reduced on request to the Society's branch concerned. Details of revised monthly payments will be sent to endowment mortgage borrowers towards the end of March 1982.

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# THERE'S ONE SECTION OF THE ECONOMY THAT'S RAPIDLY EXPANDING.

## OBSERVER BUSINESS

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WILLIAM KEEGAN on the difficulties confronting the City of London and the government's response.

The Observer now has a bigger, separate 'Observer Business' section.

Editor William Keegan will write his usual sharp and sardonic commentary on the fortunes of monetarism.

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## THE PROPERTY MARKET BY ANDREW TAYLOR

## Euro Ferries goes abroad

EUROPEAN Ferries' growing property development interests are poised to expand into mainland Europe. The company has established a new property subsidiary, based in Monaco, and is seeking office development sites, particularly in West Germany and Holland.

The group, which entered the commercial property field only in 1976, has based its reputation on a string of successful UK office developments. More recently it has expanded its property interests into the U.S.

Mr Keith Wickenden, Euro Ferries' chairman, said that the new company hoped to have its first Continental office development under way by the end of this year. It is looking for sites which could support 50,000 to 100,000 sq ft projects in major centres.

Paul Norman and Irving Scholar, two chartered surveyors with whom Keith Wickenden started Townsend Thoresen Properties, are to head up the new operation. Unlike Townsend Thoresen Properties, which is 75 per cent owned by Euro Ferries (with Mr Norman and Mr Scholar holding the balance), the new subsidiary, still to be named, is 100 per cent owned by Euro Ferries.

The decision on mainland Europe—an unfashionable market for British developers and property investors, since so many got their fingers badly burned in the mid-1970s—is typical of the company.

"It was not fashionable to

move into UK office development when we started in 1976," says Mr Wickenden. "The market was at its lowest ebb but we believed that prices were too low and that there were good opportunities."

Keith Wickenden stresses that the company will not abandon its cautious approach to development simply because it has crossed the Channel.

In the UK the company's property division has built its reputation on some shrewd purchases of land when prices were depressed. It traditionally has bought sites only where planning permissions were assured and had largely delayed committing money for building work until either a tenant was assured or a forward sale was agreed. It is a developer of property for sale, not an investor. In this way Euro Ferries claims it keeps risks to a minimum.

The shape of Euro Ferries' property interests is changing radically. It is proposing a major share deal to buy the interests of its Canadian partners, Vace, in several hundred acres of development land at Denver, Colorado, and a smaller industrial development at Atlanta, Georgia.

If the deal is approved by Euro Ferries' shareholders it could leave the former Canadian partners as the British company's largest shareholder, controlling around a fifth of Euro Ferries shares, says Mr Wickenden.

Immediate prospects for Euro

Ferries' property interests, however, raise several issues:

● In the UK, the bedrock of its property profits, the company no longer has the benefit of a sharply rising market in which to sell its developments. Moreover, the company, disenchanted with recent planning wrangles, is rigidly sticking to a policy of not taking on new schemes without guaranteed planning permission says that growth potential.

● In the U.S., where the company still has to put one brick on top of another in its own right. Its progress in Denver has been punctuated by a bewildering series of land sales, land mergers and joint venture deals. Some of the joint ventures are now under way. The terms won by Euro Ferries appear extremely favourable and have involved very little or no cash outlay by the company. The downside therefore is extremely low, the upside has still to be realised and will require at some stage a much greater level of cash commitment by Euro Ferries.

In the short term these factors appear to point to a slower rate of growth from property earnings than that to which Euro Ferries has recently been accustomed. Nevertheless, a continuing flow of UK development sales in 1981 is thought to have kept property profits at around the same level as 1980. Overseas property investments have still to realise that potential.

## Marketing problem at Millwall Dock

THE FIRST parcels of development land to be made available inside London's new enterprise zone have been put on the market by the London Docklands Development Corporation—the body established last year to mastermind the regeneration of the capital's former dockland areas.

The zone is to be established on the Isle of Dogs and the 30 acres on the market are on a former lorry park next to Millwall Dock. The price at which the land is sold seems destined to create as much debate and concern in property circles as has occurred with other enterprise zones around the country.

The problem facing public authority landlords inside zones is whether to pitch prices to take account of the various fiscal advantages provided by the zones, including a 10-year local authority rate free holiday.

If land prices rise, developers complain that authorities are taking unfair advantage and abusing one of the main aims of the zones: to encourage new development. A failure to increase prices, however, means that capital values of properties and land immediately outside the zones fall, to balance out the benefits being provided to developers and tenants inside the zone.

The London Docklands Development Corporation is not immune from these problems and at least one leading indus-

trial developer has expressed disquiet at the size of the price tag suggested by the Corporation for land inside the boundaries of the Isle of Dogs Enterprise Zone.

Commercial development land immediately outside the zone is presently estimated to be fetching between £75,000 and £100,000 an acre. This compares with a likely price tag for land inside the zone of between £150,000 and £180,000 an acre.

Two tranches of land inside the Isle of Dogs zone are currently on offer. Healey and Baker is arranging the sale of three sites, totalling around 13 acres, which are aimed at the speculative developer. Henry Hatcher is arranging the sale of a further 20 acres to be sold to owner-occupiers planning to build their own factories, warehouses or offices.

Healey and Baker says that price is not being discussed and that the market will find its own level. Henry Hatcher, however, has indicated to owner-occupiers that prices could be in the region of £150,000 and £180,000 an acre, depending on the size of unit and quality of site.

Sites on offer to speculative developers would provide for small nursery units up to 3,500 sq ft and for larger units up to 20,000 sq ft. Henry Hatcher is offering owner-occupiers sites of between half an acre to four acres.

## LMS lets Islington offices

LONDON Merchant Securities sees its letting of the 7,500 sq ft upper part of a newly restored office building—formerly a J. Lyons Corner House—at the Angel, Islington, as a good omen for the impending marketing of its 235,000 sq ft Angel Centre, which nets down to 175,000 to 180,000 sq ft of air conditioned office space and should be completed in September.

Williams and Glyn's Bank has an office development of similar size under construction opposite the Centre. The Corner House letting is to Anthony Gibbs, part of the Hong Kong and Shanghai banking group.

● Vickers de Costa, stock brokers, in their latest quarterly review, recommend investors to reduce their holdings in companies with high exposure to London office properties in favour of those with more broadly based industrial, office and shop portfolios.

The brokers say that, because of depressed international demand, the London office market will remain oversupplied well into 1982.

● Eagle Property Trust's 22,000 sq ft air-conditioned Southwark Bridge House office development in London has been let by Jones Lang Wootton and Richard Main and Co to British Telecom International.

## Keener prices for Woolworth stores

F. W. WOOLWORTH'S property disposal programme was taken a stage further this week with the instruction of agents—Healey and Baker, Edward Erdman and Hillier Parker—for the sale of the latest tranche of 25 stores, split up as follows:

● Healey and Baker will be dealing with stores at Leeds, Derby, Bromley, Guildford, Dublin, Liverpool, Nottingham and Richmond which between them total some 239,000 sq ft of selling space.

● Erdman takes Manchester, Burnley, Blackburn, Lewisham, Oxford, Blackpool, Watford and Brentwood, which add up to 229,000 sq ft; and

● Hillier Parker have Edinburgh, Wood Green, Holloway, Dalston, Tottenham, Wembley, Upper Edmonton, Wigan and Hford for a 161,000 sq ft total.

All in all, the grand total is nearly 630,000 sq ft which, Woolworth estimates, will raise over £90m, or a little over £143 a sq ft. Compare that with the earlier group of six stores which went on the market late last year—about 150,000 sq ft for a suggested £50m, or £333 a foot—and you get the feeling that somebody, somewhere, is lowering his sights a little.

There may be a reason for that. Of the first six stores which went on to the market, only two have been sold. Argyle Street, in Glasgow, came close

to target, some 40,000 sq ft going for £12.5m (£320 a foot) via Hillier Parker, with John Menzies coming in on the ground and offices going upstairs.

Bournemouth's 27,000 sq ft, however, went to Boots for between £5m and £6m or some £200 a foot, taking a middle price range. This means that the remaining four stores—at Putney, Kensington, Oxford Street and Dundee, a total of some 72,000 sq ft—would have to make £450 a foot to reach the £50m target.

Meanwhile, the average size of the stores Woolworth is selling is about 25,000 sq ft. When the sales are completed, Woolworth says it will have approximately 95m sq ft of retailing space in its 960 remaining stores—or just under 10,000 sq ft a shop.

It appears that Woolworth is selling what is marketable, in a sluggish period for the retail property market. Property professionals were naming British Home Stores, Boots (as we have seen already), W. H. Smith and Mothercare as potential interested parties, although property investors and developers are also likely to come into the reckoning.

Given that the stores are widely dispersed, and that Woolworth says that it is under no short term pressure to sell, Woolworth's plans are not expected to make the retail property market any worse.

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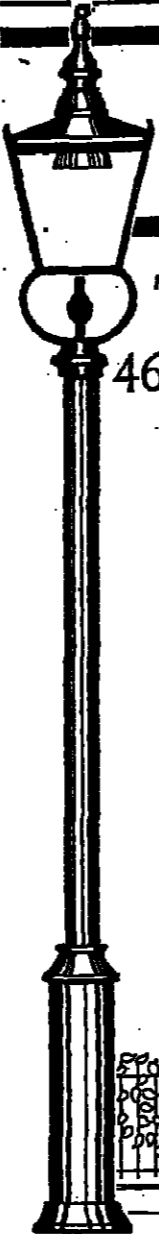
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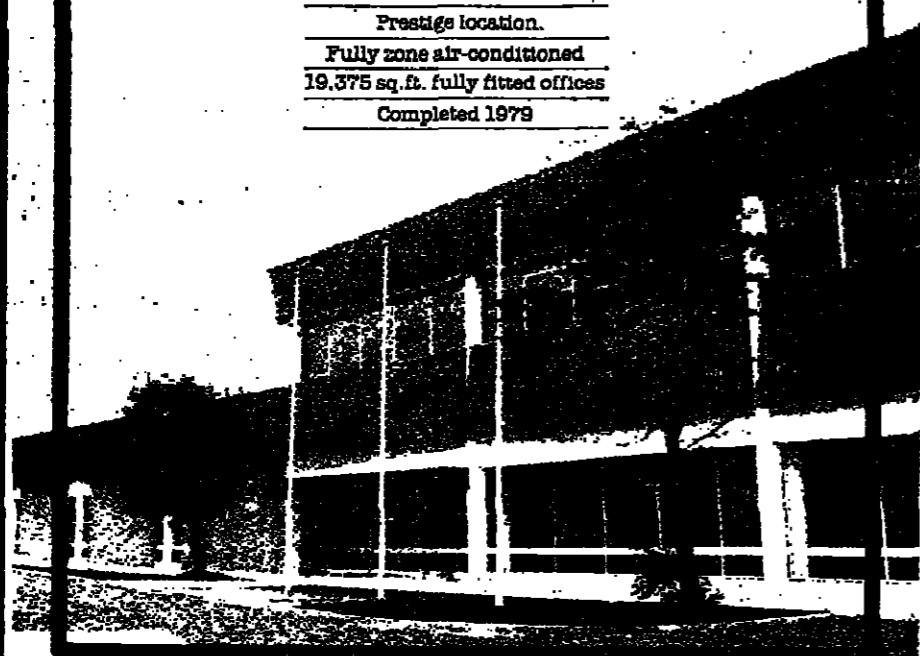
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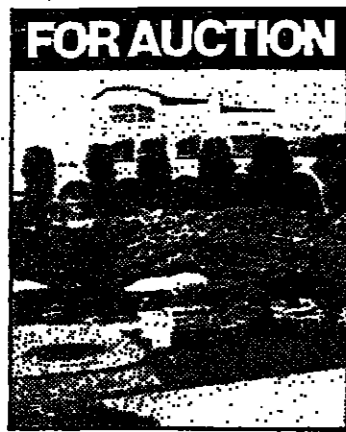
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## FT COMMERCIAL LAW REPORTS

### Charterers' duty to present complete forms

GARBIS MARITIME CORPORATION v PHILIPPINE NATIONAL OIL CO  
Queen's Bench Division (Commercial Court): Mr Justice Goff: March 2 1982

WHERE A ship's master is bound under a charterparty to sign bills of lading presented by the charterers in a certain set form, he is entitled to refuse to sign unless blank spaces on the form are filled in with the required information; and charterers who fail to present the form properly completed are in breach of the charter.

Mr Justice Goff so held when upholding an arbitrator's award that Philippine National Oil Co., charterers, were liable to Garbis Maritime Corporation, shipowners, for damages for the detention of the chartered vessel, the Garbis, resulting from the Master's refusal to sign incomplete bills of lading.

HIS LORDSHIP said that the owners hired the Garbis to the charterers under a tanker voyage charterparty in the Excoyvoy form, for the carriage of oil from Bahrain to the Philippines.

The charterparty contained standard printed clause 20, which provided that "the Master shall, upon request, sign bills of lading in the form appearing below for all cargo shipped."

The vessel proceeded to Bahrain and loaded her cargo. On completion of loading, the charterers presented the bills of lading for the Master's signature. They appeared to be in the form set out at the end

of the charterparty, but the blank spaces in that form had not been filled in so that the dates of the charter and names of the parties were omitted.

The Master refused to sign the bills unless the blanks were filled in, and also insisted that the unusual typed clause which had been inserted into the charterparty should be endorsed on the bills. As a result of the dispute which arose, the vessel was detained at Bahrain.

The charterers submitted to arbitrators in the dispute that the Master was obliged to sign the bills of lading so presented. The owners submitted that he was entitled to refuse. The arbitrators found in favour of the charterers. The question now for the decision of the court was whether the charterers were liable to the owners for damages for breach of the charter.

Under voyage and time charters there might be an express provision in the charter which required the Master to sign bills of lading in the form presented to him for signature.

A provision of that kind reflected the fact that when goods were carried in a chartered ship, a bill of lading might well be one of a set of documents to be used for the purpose of performance of a contract of sale; and as such it would be endorsed over to the buyer and become, in his hands, not merely a receipt for the goods, but the document which contained or evidenced the terms of the contract of carriage between him and the shipowner.

It was accordingly important that the bills of lading should be in a form which would comply with the terms of the contract.

The decided cases established that if a charter required the Master to sign bills of lading as presented, and if a bill of lading was presented in a form which did not contain extraordinary terms, or terms which were manifestly inconsistent with the charter, then he must sign them.

The question was one of construction of the relevant documents. Under the present form of charter it was not provided that the Master should sign bills of lading as presented. He was bound to sign bills of lading "in the form appearing below," which was the form set out at the end of the charter. It must follow that if bills of lading were presented which were not in that form, then the Master was not bound to sign them.

If blank spaces in the form were not completed, could it be said that the bills of lading were "in the form appearing below"? The blanks were left for the purpose of entering relevant details. The form therefore contemplated that, at least where the information was available, those details should be inserted.

Unless that was done, the bills of lading were not in the specified form; and all that was tendered for signature was a document which was incomplete under the contract.

It followed that the charterers committed a breach of the charter in insisting that the bills of lading should be signed without the relevant details, and they were liable for damages for detention of the ship resulting from that breach.

The Master was not, however, entitled to require that the bills of lading should be endorsed with the unusual clause because the words of incorporation in the bills were wide enough to incorporate that particular condition into the bill of lading contract.

The arbitrators' award should stand.

For the charterers: *Norrie Moore, Bick (Richardson, Butler & Co.)*  
For the charterers: *Michael Col. Hines (Holmes, Fenwick & Wilson)*

By Rachel Davies

Barister

## RACING

BY DOMINIC WIGAN

THERE CAN never have been a race for more remarkable results than the Triumph Handicap now sponsored by the Daily Express.

Yesterday, Shiny Copper became the second 66-1 chance to win the race, for which the average price of the winner in the past three seasons is now over 65-1.

There was no duke about Shiny Copper's success. The horse was at the back of the field in the early stages and only appeared on the scene running down towards the straight. But Mrs Nadine Smith's charge made relentless progress on the turn and tackled Cima on the run in to the final furlong. From that point Shiny Copper always looked like obliging, in spite of the presence of formidable foes in General Braxford and Royal Vulcan.

Mrs Nadine Smith is likely to remember the 18th Triumph hurdle for a long time as her other runners Prince Bless, Janus and Doctor Steve all acquitted themselves, with reasonable distinction. Janus ran particularly well until tiring.

This afternoon investors' backers will have to be content with less invigorating fare at Fakenham where it is a race-gaugers club concession day programme. Backers should be able to get off on the right foot here through Bogtrot in the Castleside Novices Chase. But for blundering at the 13th in a novices event ran in holding conditions at Taunton seven weeks ago, Nick Gascoigne's charge would undoubtedly have taken a hand in the finish. With only poor opponents to beat this time Bogtrot ought to have few problems.

Silver Buck put Michael Dickinson firmly on course for a record haul in one season when storming to a comfortable victory over his stable companion, Bregawn, in yesterday's Cheltenham Gold Cup. The winner took almost £50,000.

The saddest aspect of the race was the total eclipse of Night Nurse, who had to be pulled up by Jonjo O'Neill after getting further and further behind with over a mile to go.

FAKENHAM

- 2.15-Bobtree\*\*\*
- 2.45-Rosies Secret
- 3.45-King Piccolo
- 4.15-Algers Green\*
- 4.45-Left Bank\*\*

## Practice direction: time for lodging commercial documents

A PRACTICE direction issued by Mr Justice Parker on March 15 specifies the minimum period within which documents must be lodged with the Clerk of the Commercial List before the hearing of a chambers application.

His Lordship said that as from Monday, March 22, the existing notice as to the application in documents would be replaced by the following notice:

"It is the responsibility of both parties to an application to the Commercial Judge-in-Chambers to lodge all documents relevant to the application in Room 244 (Royal Courts of Justice) by noon two days before the date fixed for the hearing. Any affidavits already filed should be bespoken and the exhibits, if any, lodged. On the first occasion when any inter-party application is made in action, the documents should always include the main pleadings and the parties should be prepared, if necessary, to justify the retention of the action in the Commercial List."

"Failure to comply with this direction will normally result in the application not being heard on the date fixed at the expense of the party in default."

"A copy of this notice should be attached to the copy application served on the parties."

Copies would be available in the office, and it was the responsibility of the applicant to attach a copy to the summons served on the opposite party.

## BBC 1

6.40-7.55 am Open University (cont only). 9.00 For Schools. Colleges. 12.30 pm News Afternoon. 1.00 Pebble Mill at One. 1.45 Bagnuss. 2.02-3.00 For Schools. Colleges. 3.20 Pebble Mill. 3.30 Regional News for England (except London). 3.55 Play School. 4.20 Captain Caveman. 4.30 Jackanory with Thor. 4.45 Flinders Keepers with Richard Stilgoe. 5.10 The Song and the Story with Isla St Clair. 5.35 Ivor the Engine.

5.40 News. 6.00 Regional News Magazine. 6.22 Nationwide, including 6.45 Sportsweek.

7.00 "The Satan Bug" starring George Maharis, Richard Basehart, Anne Francis and Dana Andrews.

8.50 Points of View with Barry Took.

9.00 News.

9.25 McLain's Law starring James Arness.

10.15 The Ian Wadsworth Interview (Nigel Dempster) (London and the South East only).

10.45 News Headlines.

10.50-12.30 The Late Film: "Hannie Caulder" starring Raquel Welch, Robert Culp and Ernest Borgnine.

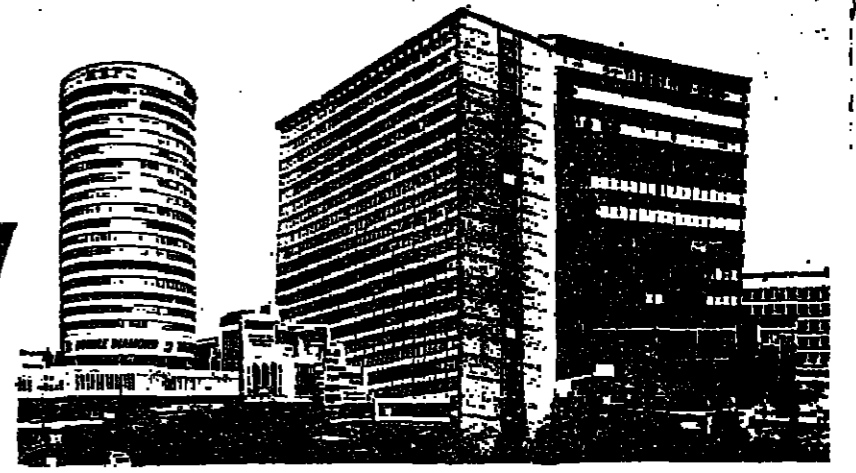
All IBA Regions as London except at the following times:—

ANGLIA  
12.30 pm Ver. 1.20 Anglia News. 12.45 Play School. 1.00 "Operation Bullshine" starring Donald Sinden and Barbara Murray. 1.20 Anglia News. 1.30 The Fall Guy. 1.40 News. 1.50 Kias a Stranger starring Carol Lynley. 1.50 News. 2.00 The Fall Guy. 2.10 News. 2.20 The Fall Guy. 2.30 News. 2.40 The Fall Guy. 2.50 News. 3.00 The Fall Guy. 3.10 News. 3.20 The Fall Guy. 3.30 News. 3.40 The Fall Guy. 3.50 News. 4.00 The Fall Guy. 4.10 News. 4.20 The Fall Guy. 4.30 News. 4.40 The Fall Guy. 4.50 News. 5.00 The Fall Guy. 5.10 News. 5.20 The Fall Guy. 5.30 News. 5.40 The Fall Guy. 5.50 News. 6.00 The Fall Guy. 6.10 News. 6.20 The Fall Guy. 6.30 News. 6.40 The Fall Guy. 6.50 News. 7.00 The Fall Guy. 7.10 News. 7.20 The Fall Guy. 7.30 News. 7.40 The Fall Guy. 7.50 News. 8.00 The Fall Guy. 8.10 News. 8.20 The Fall Guy. 8.30 News. 8.40 The Fall Guy. 8.50 News. 9.00 The Fall Guy. 9.10 News. 9.20 The Fall Guy. 9.30 News. 9.40 The Fall Guy. 9.50 News. 10.00 The Fall Guy. 10.10 News. 10.20 The Fall Guy. 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## FINANCIAL TIMES SURVEY

Friday March 19 1982

## Office Property



The overall downturn in the market has led to the widening of the gap between the demand for top quality buildings on prime sites and floorspace less favourably placed.

Adding to the uncertainty of the future is the likely effect of automation in the office.

## When a touch of class pays off

BY MICHAEL CASSELL, Property Correspondent

THE UK office market has clearly seen better times, although it appears to have escaped the worst effects of a recession which has not been so kind to other sectors of the commercial property world.

The service sector on which the office market is based, has been hit last and least by the UK's economic problems but there is clear, countrywide evidence that demand for office space has declined and rental growth has, in real terms, been limited or non-existent.

The downturn has particularly affected the market for larger units of accommodation, with smaller space continuing to attract generally healthy levels of interest. Demand has tended to concentrate on prime, centrally located accommodation and the deepening recession has highlighted the growing performance gap which has emerged between this type of floorspace and the off-centre, poorer quality building which may readily find a tenant when the economy is buoyant.

The same can be said in terms of the differing performances of various regional office centres. While some,

notably those in the south of the country, have managed to maintain a steady flow of development and letting activity, others further afield have effectively shown few signs of significant growth.

Although many regional centres may have been in the doldrums, there are at least signs that conditions are beginning to change. Few provincial centres found themselves with large oversupplies of office space when the recession arrived, so there will be a limited amount of accommodation to be soaked up before rents begin to reflect localised shortages and new development again becomes both necessary and economic.

## Conviction grows

The process is already underway in some towns and while the short-term prospects for lettings and rentals may not appear very exciting, there is a growing conviction that an improvement in the economy could see a rapid end to the subdued climate which has characterised office markets around the country.

In value terms, the disparity in rental levels between different office centres remains very noticeable. Top prime rents in the City of London—where the impact of the recession has been minimal—are now around the £27 a sq ft mark and are expected to grow by an average of 7-10 per cent in the current year.

Highest tenant demand and rental growth outside London has come from those office centres spread out to the west of the capital. But having weathered the recession for the greater part of 1981, the Thames Valley is feeling finally the effects.

Letting activity in the region is continuing at a steady but slower rate and, as elsewhere, the best quality accommodation has shown the best performance. Asking rents in a location like Reading have now reached £14.25 but with an estimated 600,000 sq ft of office space either available or under construction, the short-term outlook for rental growth looks limited.

Reading represents one of a number of locations which can expect to continue to benefit

from the incoming tide of overseas office occupiers and the apparent resurgence of a drift away from London on the part of owner-occupiers and tenants.

## Rates issue

Although, contrary to fairly common belief, London as a whole still provides numerous potential opportunities for fresh office development, the likely level of future demand from occupiers wishing to locate in London itself can no longer be taken for granted. Office decentralisation has been a cyclical phenomenon for many years but changes in office technology and the emergence of increasingly suitable alternative locations promise to downgrade London's role as an office centre on a more permanent basis.

Above all, the rising costs of office accommodation in central London have forced increasing numbers of occupiers to re-examine the economics of their occupation policy and to consider whether the benefits of a presence in London justify what can be high additional expenses.

The issue has been brought to the forefront by the huge increases in rates levied by local authorities which have transformed a traditionally small element of overall occupation costs into a major overhead. There are clear signs that some of the inner London boroughs have woken up to the economic and political dangers of treating ratepayers as a bottomless pit of pound notes, although their moves to moderate rate increases this year are being thwarted by continuing heavy precepts from the Greater London Council and the Inner London Education Authority.

In the past, there has generally been enough growth from the London centre to balance any trend towards decentralisation, but there is now a chance that this might no longer be the case.

There are signs that locations on the western edges of London, such as Hillingdon, Hounslow, Ealing and Harrow, are not simply emerging as obvious overspill locations but as markets in their own right, offering all the advantages of close proximity to the capital

and yet providing easy access to the region's other major centres.

The combination of cost-push factors and the growing difficulties involved in pursuing significant office schemes in London must be seen as a threat to some traditional locations which are not going to be helped by the "anti-office" approach adopted within the ruling GLC Labour group. The GLC has made clear its dislike of the development industry, although it has fairly quickly come to terms with the undeniable fact that office buildings as well as factories provide employment as well as a major source of local government income.

## Muted attitude

In reality, the GLC's attitude towards office development has been far more muted than many people originally expected. But the additional uncertainty injected into an already complicated and protracted planning and development process by the presence of an authority with minimal goodwill is not likely to provide an atmosphere in which office development flourishes.

The growing pressures on occupiers to look much more closely at alternative office locations coincides with a period in which fundamental changes in the nature of office employment are adding another perspective to accommodation policies.

Much has been made of the impact which office technology is likely to have on employment and while, in truth, no one is yet in a position to do anything more than guess the consequences, the effect on the type of office accommodation likely to be demanded by occupiers is already becoming very clear.

Partially encouraged by American customers, the developer is having to reconsider his traditional approach to the provision of office accommodation and, as a result, is blurring the distinction between office and industrial activities. The so-called "hi-tech" complex has become something of a trendy word in the development industry but—gimmicky as it might sound—it reflects the real need to provide a new generation of floorspace which can easily be

adapted for office or manufacturing use and which offers the type of environment not normally associated with the industrial market.

The view of the investing institutions will be crucial in determining the shape of future office development and there are at least some grounds for concern over the amount and quality of research they are undertaking to try and determine the future requirements of the occupier.

A new formula will be required for the speculative office and it will not be sufficient simply to rely on location to provide a ready customer. Efficient use of space and energy will be vital prerequisites and already some glimpses of the future are emerging in the form of office schemes now being developed. Perhaps it is no coincidence that some of the most forward-looking projects have not emerged from the institutional developers but from the property companies which display a flair for the market which is not always readily apparent within many of the big funds.

## CONTENTS

Investment	II	Costs	IV
Development	II	City of London	V
Split Functions	III	West End	V
Refurbishment	III	Birmingham	V
Office Technology	III	Glasgow	VI
Planning and GLC	IV	Manchester	VI
Appeals and competition	IV	Rents	VI

# Richard Ellis

## World Wide Offices



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Planning Permission for major  
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An outstanding 33,000sq.ft.  
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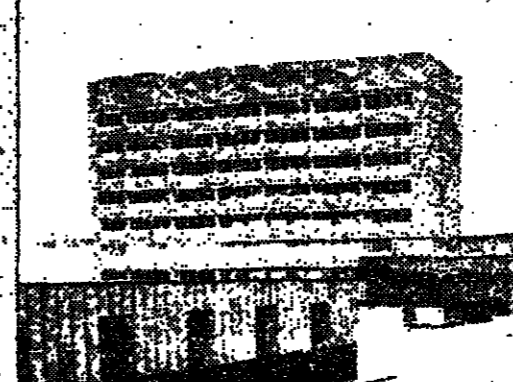


## Reading Central

**READING**  
An outstanding new 40,000sq.ft.  
office building on schedule for  
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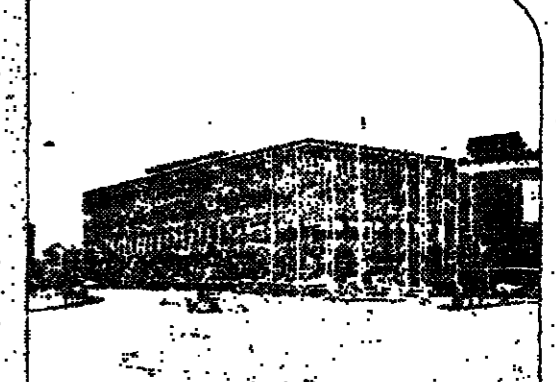


## Savoy Tower

**GLASGOW**  
2,900-40,000sq.ft.  
Modern Office Accommodation

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2,690-22,340sq.ft.  
Modern offices in prime position  
providing lifts and central  
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Modern self contained building.  
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## OFFICE PROPERTY II

# The big investors are ignoring current market sluggishness, looking always for prime quality space

## Institutions still buying for the long term

THE WEAKENING performance of all sections of the commercial property market has not managed to deter the institutions from continuing to regard real estate as a primary investment option.

The investing funds, conditioned by the high performance of the property sector since the latter part of the 1970s, have shown little concern over what is widely assumed to be a temporary setback in a long-term market and have continued to

The opinion of agents like St Quintin is widely shared: "Although the volume of institutional money has been underpinning the market for prime property, the secondary property market has suffered, where yields have tended to be more in line with the general level of interest rates. The yield gap with gilts can only be justified by future rental growth, expectations for which may be less sanguine than hitherto."

In the words of Healey and Baker: "While the market continues to be highly competitive, with demand for high quality investments significantly exceeding the available supply, investors have become more analytical in their decisions as to what constitutes acceptable property and only those assets passing the most stringent tests can command the level of yields now being quoted on prime."

### Investment

MICHAEL CASSELL

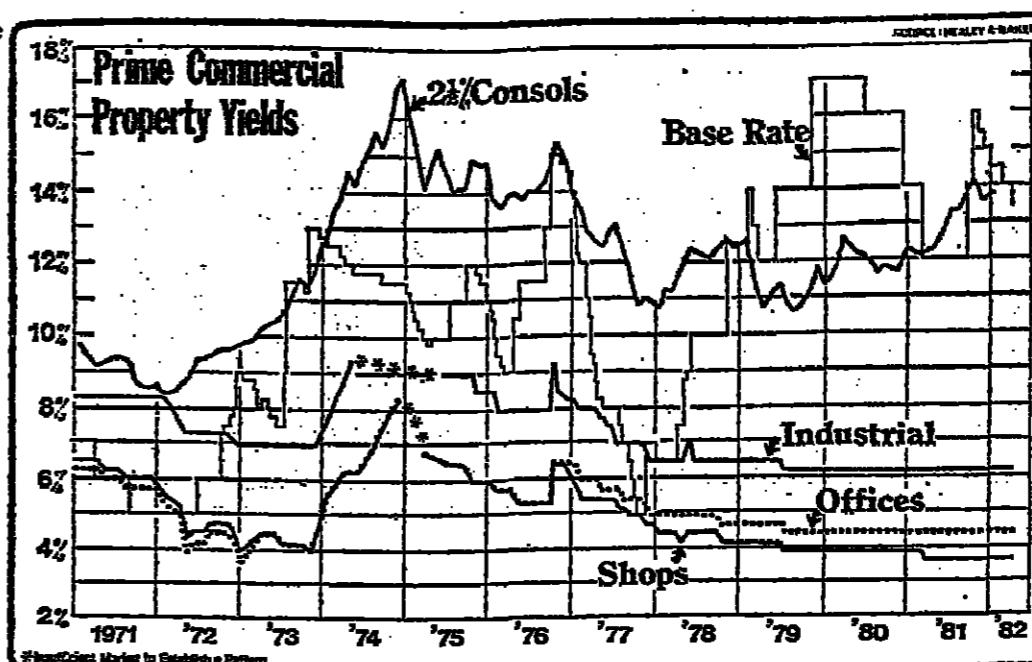
invest at the same rates of return achieved throughout 1981.

According to the latest yield graph from Healey and Baker, the unexciting outlook has had no impact on underlying demand for prime property and the investment market for top quality space has remained highly competitive, with demand outstripping supply.

There is no doubt, however, that the investment market in offices has become increasingly more selective as the market-place has become decidedly more patchy and it is the secondary market which has suffered accordingly.

On the surface, office property prime yields (4.1 per cent) certainly look expensive at present when compared with most other forms of investment but, in Healey and Baker's view, the case for purchases showing initial rates of return at such levels is established beyond all doubt and is only clouded by those "who fail to differentiate between prime assets and those that do not truly possess the required attributes."

According to Healey and Baker, investors enjoyed — on



top of initial yield — an average rental growth on prime offices of 8.3 per cent compound in 1981 against nearly 11 per cent for prime shops and 2.5 per cent on industrial investments. Inflation during the same period ran at about 12 per cent.

More importantly, however, a longer-term comparison shows that while the retail price index rose on average by 12.2 per cent annually over the past five years, the average rental growth

for offices across the country was 13.9 per cent. There are inevitable variations in performance between the regions and even between various towns although, in the case of office property, the south eastern markets have materially outperformed the remainder of the country.

As Healey and Baker admits, were it not for the south east, the average rental growth for the office sector as a whole "would be depressing indeed." Throughout London's West End and City markets have, by any standard, remained worthwhile performers.

But the institutions are fully aware that no one sector of the overall investment market can be expected to outperform continuously all others in perpetuity and this is clearly the case for property in the short-term.

If there is a general view that property is, for the time being, too expensive, then the investing funds are apparently

happy to contemplate such a set of circumstances and yet maintain investment levels for a variety of reasons.

Among the major factors determining the institutions' acceptance of such relatively low returns is the large volume of uninvested money still overhanging the property investment market, a tide which is now likely to rise further given the impending release of investment restrictions on local authority pension funds and the failure to meet target percentages for property sector holdings.

As Richard Ellis recently pointed out, however, only a very small proportion of property is actually valued at the lowest yields, so that many of the purchases made by funds do carry rates above this level.

According to Ellis: "The range of properties acceptable to the institutions as prime investments also contracts during a recessionary period. It is interesting to reflect that the

apparent lack of supply of 'acceptable prime properties' is partially self-inflicted by the institutions themselves.

"They are reluctant to equate yield against risk, which in itself serves only to highlight the apparent importance of prime against all else."

But the clearest impression to emerge from the present investment market is that the underlying confidence in property has not been dented by recent events.

For some time now, the role of the investing institution in property has been growing beyond the role of simple financier and into the realm of direct development. The mistake has sat more comfortably on some than on others and it is not always easy to see how the funds can reconcile their role as the careful custodians of huge volumes of other people's money with the need to provide an imaginative and innovative lead in the development industry.

Jones Lang Wootton are among those who point out that owner occupiers are nowadays looking very carefully at likely office requirements before taking development decisions and that similar far-sightedness on the part of the institutions will be vital if they are to keep in touch with the requirements of the marketplace.

There are signs that the more enlightened investors are already thinking along these lines and it will undoubtedly be these who maximise their investments in property over the longer-term.

But although future investment in property may well have to become a more thoughtful affair—with previously successful formulae not necessarily guaranteeing future dividends—the sector as a whole should, as long as capital values keep up with inflation and portfolio incomes offer real, long-term returns, remain a leading choice for the investing institutions.

## Developers find that only the best will be taken up

### Pockets of buoyancy

OFFICE development is stuck firmly in low gear. The economy remains sluggish, depressing business activity and confidence and checking demand for new office accommodation. At the same time financing costs remain less than favourable to all but prime developments, despite the recent string of modest cuts in bank lending rates.

The service industries have proved less exposed than manufacturing industry to the chills of recession, but the sheer extent of the decline in overall business volume has none the less severely blunted demand within the office-based sectors of the economy. Cuts in manpower, technological progress in shrinking demands for space and general belt-tightening by

the bulk of development funds — look ever closer at their investment criteria.

A decade ago as much as 75 per cent of development funds would come from development company resources, mostly through borrowings. Today the percentage is probably under 50 per cent on average. A cross-section of new developments for offices in and around London suggests that property company equity input is down to almost 40 per cent with the institutions picking up the tab for the balance.

The low level of new development in this country has led to a significant rise in competition on site tendering. Prime sites offering a steady development return are rare enough to attract a very aggressive following from the major developers, notably for smaller sites. The freehold interest in Cavell House in St. Martin's Place, which was recently put up for sale by Westminster City, attracted no fewer than 29 bids.

Competitive bidding for development sites has begun to be reflected in instances of overheating, with some sites going under offer at prices which cannot subsequently be supported. A small development in Reading—a prime office development

area at one end of the so-called "Golden Triangle" involving London and Croydon—eventually had to be sold at a tenth or so down on its original bid price.

Still, despite the market place and financial constraints facing developers, it is equally clear that many property companies have their fingers crossed this year in the hope of a revival in development demand.

Although still high relative to the long-term grasp, interest rates are now finally showing signs of moving in the right direction. The Budget, with its broadly neutral message, has at least begun to create a better working atmosphere. No one expects an instant miracle, but some of the more optimistic old hands are now beginning to search for a turning point for the commercial property market.

Institutional demand for new office investment is being increasingly pent up, both by sluggish competitive investment forms as well as the slowness of new developments. If the Bank of England can keep up its recent good work and keep interest rates moving down, borrowing costs may yet get down to the level at which office property yields once again become universally attractive.

### Development

JEFFERY BROWN

management have all combined to create a very flat demand curve for new offices.

There are of course pockets of buoyancy but the general trend of office rental growth has been hard put to keep in line with inflation over the past few years. Outside London, the Home Counties and selected parts of the West and Midlands, new office development has ground to a complete halt. MEPC claims to have begun to look at Manchester recently, but is doing so "with great caution."

The sluggishness of the domestic market has led most of the major development companies to seek work abroad. MEPC, Haslemere Estates and Laing Properties are all very busy outside the UK, with the main thrust of their foreign operations going into the U.S. and Australia. Something like a third of MEPC's current development portfolio is geared to foreign work.

At home, in contrast, the financial constraints have been far more severe. Rents and therefore revenue have been weak. On the costs side land prices have stayed remarkably firm and interest rates have remained high, making the lending institutions—pension funds and insurance companies put up

## Tomorrow's call for mixed space

WHAT HAPPENS when the industries of tomorrow in the West of London triangle and other pockets of high technology want mixed office and industrial space, when they insist on clean assembly space, training and maintenance facilities in an integrated building or in a long-side sales and administration?

The answer, according to some estate agents, is that not very much is about to happen. Either such space is extremely hard to find or a split function would inhibit institutional development funding.

Mr Ronald Franks of Smith Melzak believes that high technology companies re-group under one roof and then frag-

ment again as they continue their restless growth. Smith Melzak helped Wang (UK) to find a 16,000 sq ft site in Richmond, West London, which provided access and loading facilities at the rear of the building leading to a single storey industrial facility comprising about a third of the overall space.

Fast growth, however, meant that Wang has since been on the move again, taking 60,000 sq ft of office space in Hounslow for its "white-collar" functions and occupying a site in Faddington to take the service and maintenance for its West End customers.

Mr Franks finds it almost impossible to cite an example of a 50/50 split between office and light industrial usage.

Norman Bourke and Partners are more forthright. Mr Bryan Norman, senior partner, considers that Britain's archaic planning laws prohibit the institutional-backed development which would satisfy a growing requirement.

Taking Air Products' 184,000 sq ft management and engineering centre at Hereham, Surrey, as an example, Mr Norman cal-

culates that a fund would be prepared to pay around £12m for the 69,000 sq ft office content, or about £10 per sq ft.

On the other hand, the agent feels that the balance of 115,000 sq ft of industrial space, built to the same specification and at the same construction cost as the office content, would be valued on a 7 per cent yield, implying a rent of some £4 per sq ft.

"Here we have a building where it is virtually impossible to distinguish the two parts but one part is four times the value of the other."

"I believe other organisations wishing to create similar employment centres are being fettered by archaic planning or land use definitions which have now existed virtually unchanged since 1947. We are repeatedly coming up against this type of joint land use/funding problem and it is adversely affecting development by potential owner occupiers wishing to create similar job centres," he adds.

Where such centres do exist, such as Intec's 45,000 sq ft of office space and 35,000 sq ft warehouse at Park Royal, they almost invariably occur on industrial locations rather than office sites.

The reason, quite plainly, is that in a high density urban environment, industrial space is cheaper (by virtue of the differential values applied to industrial and commercial property) and even light assembly and warehousing creates too much traffic.

Agents are exhorting the funds to "pioneer a change in this field by recognising the real value of this type of scheme without waiting for alterations to town planning legislation."

Surely what industry wants is industry will get, particularly if industry is fast-moving, international and with plenty of inducements to locate overseas rather than in the UK. Technology parks have become a buzzword for the development industry and office parks may well become another. Will "employment centres" follow?

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### Split Functions

RAY MAUGHAN

ment again as they continue their restless growth. Smith Melzak helped Wang (UK) to find a 16,000 sq ft site in Richmond, West London, which provided access and loading facilities at the rear of the building leading to a single storey industrial facility comprising about a third of the overall space.

Fast growth, however, meant that Wang has since been on the move again, taking 60,000 sq ft of office space in Hounslow for its "white-collar" functions and occupying a site in Faddington to take the service and maintenance for its West End customers.

Mr Franks finds it almost impossible to cite an example of a 50/50 split between office and light industrial usage.

Norman Bourke and Partners are more forthright. Mr Bryan Norman, senior partner, considers that Britain's archaic planning laws prohibit the institutional-backed development which would satisfy a growing requirement.

Taking Air Products' 184,000 sq ft management and engineering centre at Hereham, Surrey, as an example, Mr Norman cal-

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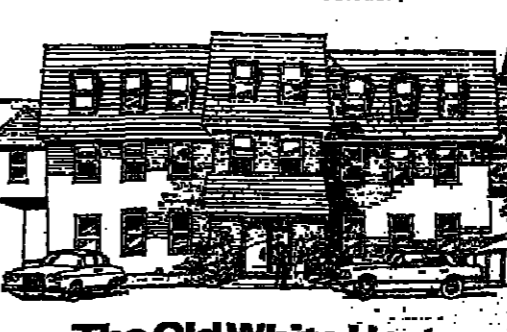
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## OFFICE PROPERTY III



Restoration in Manchester's financial centre by Peter Cox: Midland Bank, King Street and (right) Barclays Bank

## Specialist sector finds demand healthy

LAST DECEMBER'S construction forecasts by the National Economic Development Office presented a dismal picture. Only repairs and maintenance were on a generally rising trend since the start of the 1970s.

Even here, a downturn in output of 9 per cent was forecast for 1981 after a rise of 6 per cent in 1980 but, reading between the lines of the report, office refurbishment still showed prospects of contributing healthily to the statistics.

Adverse effects of the recession, said the report, "may be mitigated by requirements for higher standards of property maintenance by institutional freeholders. In the commercial sector," it went on, "renovation may defer or obliterate the need for some repair and maintenance work."

Leslie Andrews, commercial director of specialist contractors R. Mansell, concurs. "Office refurbishment," he says, "takes place in a cycle which comes round every 20 years. If you look at the City of London," he adds, "refurbishment is not hard to find; it may be more difficult to obtain, given the difficult times in civil engineering generally, with more people trying to muscle in on the refurbishment act."

"Mr Andrews, like most of the other professionals involved in this area, points out however, that refurbishment is a specialist area. One of the biggest jobs Mansell has taken on recently was the Sun Alliance £1.2m contract for alterations and extensions to the company's office building at 27-32 King Street in London's Covent Garden."

Part of the building is listed internally as well as externally. "We are hanging the back end of the building on sky-hooks,"

says Mr Andrews—which means it has had to support most of the upper part of the rear wall while the lower part is rebuilt.

In the end, Mansell is happy to let the figures speak for themselves. The company's turnover has risen from £16m in 1979, through £21m to £26m last year. Around 75 per cent of that turnover, estimates Mr Andrews, is in refurbishment work.

Mike Warner, an associate in the building consultancy depart-

### Refurbishment

WILLIAM COCHRANE

ment of agents Richard Ellis, agrees that when a building is 20 years old it is a fair point to start thinking of refurbishment. That certainly applies now, he reckons, due to the low quality of some of the work in the 1950s and 1960s.

Ellis emphasises that refurbishment is an option. "The real expertise comes in," says partner Alan Forbes, "when you have to cost the options in building terms." Timing is one of the essential considerations, for faster completion means earlier rents.

He also notes that electronics are blurring the difference between the office and the industrial user, so that some microchip industries are getting up to a 50:50 split between office and industrial accommodation in their "factories"—which offers a faint ray of hope in an otherwise clearly over-supplied sector.

David Gaunt of Hunter and Partners, a Knightsbridge prac-

tice which does virtually nothing but refurbishment—office, industrial and residential—divides office jobs into categories. The first, arguably redevelopment rather than refurbishment, is the generally accepted sense of the word, is where there is a listed facade, or one which the local authority is particularly keen on retaining, and a totally modern, new building is constructed within an old shell.

Second comes what Mr Gaunt describes as "very comprehensive commercial refurbishment." As an example, he points to a property at 15-17 Knightsbridge in London's West End. Here, Hunter have kept the facade and retained the principal listed rooms on the ground, first and second floors; but they have completely redeveloped the rear with new, modern office space. The result, for a cost of £2m, is 30,000 sq ft of office space combining elegance with utility instead of what was "a grade II listed pair of derelict buildings," as Mr Gaunt puts it.

At 21 Grosvenor Place, SW1, meanwhile, Hunter have been working on a £1.2m job for Iron Trades Mutual Assurance. The 60,000 sq ft building, erected in the 1920s, overlooks the grounds of Buckingham Palace.

Hunter note that since the various specialist trades concerned in this sort of project are doing a general refit rather than pulling the building apart, it is possible for the occupants to remain while refurbishment carries on on a floor-by-floor basis.

Iron Trades Mutual is an owner-occupier, however. It has been noted by some observers that, where tenants are involved, commercial office refurbishment

tends to take place at the end of a lease, when the tenant may have decided to move out for reasons of space requirements, or simple economics.

Hunter's Mr Gaunt says that this is not necessarily so. There are, he says, still a lot of tenants on very long leases which are both uncomfortable and uneconomic for the landlord. Rather than go back on the market for new space, the tenants here could decide to do a compromise deal with the freeholder—who might be able to pay for the refurbishment, raise his rents from uneconomic levels and yet still give the occupiers what they want at something below market rents.

Back at Richard Ellis, Alan Forbes and Mike Warner demonstrate how, with refurbishment, two and two can sometimes add up to more than four. Gateway House, at Cannon Street in the City of London, was built in the late 1950s when car parking was considered essential by the authorities. By 1973, when a major refurbishment was undertaken, the policy had been totally reversed and the planners "readily agreed" to the basement car park being used for other office purposes.

In addition, the owner of any building built before January 1 1948 has the right to compensation if the planning authority refuses consent to extend a building by 10 per cent of its cubic capacity, or ten per cent of its area. "As local authorities are reluctant to pay compensation," says Ellis, the effect of this legislation is to increase substantially the chances of gaining consent to an increase in the size of a building, notwithstanding the fact that the plot ratio may well be infringed."

## Demand is expected for property that can adapt easily to the latest equipment Hoping for a boost from automation

INFORMATION technology will bring a revolution to the office say the gushing enthusiasts for the technologies available because of microelectronics. Some of the more fanciful ideas on the impact information technology will have on how people work are enough to give anyone with an investment in office property a nightmare.

One vision is that employees will only occasionally need to visit their offices. Each person will have a small computer at home which can be linked with



An office equipped for automation

### Office Technology

JASON CRISP

larger office computers. A camera and television screen will allow video-calls for meetings and conferences. Their telephone can be linked to the company's private automatic branch exchange to give the impression someone is answering from an ordinary office.

Companies will be able to save on office space and employees will be able to save travelling cost and time. While energy costs, space costs and labour costs continue to rise computer technology becomes cheaper and cheaper.

Information technology is the gradual convergence of telecommunications, data processing and office equipment. Theoretically it may mean fewer people performing tasks in the office

and away from centralised expensive office equipment. In practice few consultants who have looked closely at the impact of new technology in the office believe this will happen to any great extent in the near future. The occasions when people will use terminals at home for work are limited.

There are a number of companies experimenting with portable terminals for sales staff. At the end of the day—or even sometimes at a customer's office—the salesman dials his company's computer on an ordinary telephone line and links his small portable terminal via an acoustic coupler. The salesman can find out stock position and lead times of products and enter the day's orders. At the same time any messages for his company can be transmitted to him.

Senior managers may wish to use a terminal at home or at an hotel, either for receiving financial information or messages. Debenhams, the department store group, has set up a private viewdata system. On Sunday nights the directors at home can receive detailed information on the previous week's sales throughout the group, can analyse it in a number of ways, on an adapted television set connected to a computer via the telephone.

If home computers for business use are only used by salesman, senior directors and a small number of women who would probably not be working otherwise, there is little threat of a massive change in office

population argue observers. Some argue that new technology will lead to a higher demand for office space because of the greater amount of equipment. Companies may need more people to operate and look after the equipment.

Investment in office equipment to date is minute compared with investment in manufacturing or agriculture. In 1978 the average investment for each worker in the office was \$2,000 compared with \$35,000 per worker in manufacturing industry, according to an international study.

A host of companies believe the office is ripe for automation. At the moment the competition is so great it looks like the beginning of a marathon race with hundreds of competitors jostling to break away from the crowd. It includes a wide range of companies including computer manufacturers like IBM, office equipment manufacturers like Xerox, telecommunications companies like LM Ericsson, diversifying oil companies like Exxon and a host of tiny, technologically innovative and entrepreneurial companies.

But most offices are not well suited to the new technology. Frank Duffy of Duffy, Eley, Giffone Worthington, one of the leading firms of architects looking at the impact of office automation notes: "In two to three years time wiring will become a spectacular problem. Most buildings are totally unable to cope."

Few buildings have suitable ducts built into the floor to carry cable, although a fairly common solution is to install false floors. There is also the problem of the vertical routing of cables. Ironically there may be less of a problem in older buildings because higher ceilings leave more room for a false floor and the more solid structures may make it easier to make holes in walls and floors for cabling.

One architect said that buildings which have been adapted for easy installation of sophisticated communications and office automation will be at a premium. Companies will be loath to occupy a building where it will be a problem.

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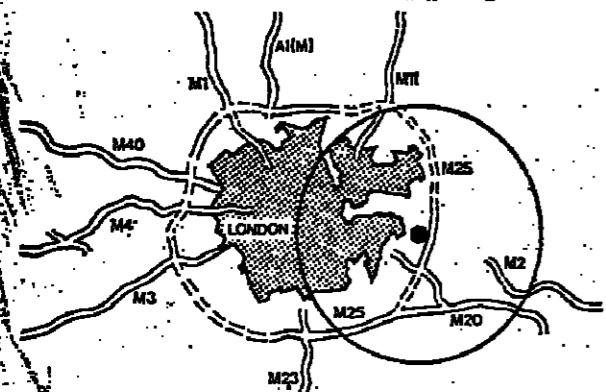
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Council sticks to policy of 'preferred locations'

## Controls less rigid than expected

IN TERMS of its office planning policy the Greater London Council's bark has turned out to be much worse than its bite. Despite its general dislike of major speculative office developments the Left-wing council has so far approved more office schemes than it has rejected.

Figures produced by the council's officers show in the first 10 months of office the local authority approved 56 office schemes comprising just over 4m sq. ft. Over the same period the council opposed 19 schemes totalling 3.1m sq. ft. Almost 1m sq. ft. of this, however, was in a single office scheme—Greycoat Commercial Estates proposed development for Coth Street, on the south bank of the Thames—which has now gone to a public inquiry.

But last May developers were far from sanguine about prospects for office building in London following a Socialist victory in the GLC elections. Their worst fears appeared to have been confirmed by bold policy statements from the council's planning committee such as: "London needs a massive increase in office planning permissions about as much as it needs a Thanos flood" and that there is no room for "grandiose speculative development in a Socialist London."

On the Stock Exchange property shares rose rapidly, it briefly, as it appeared that stiff development curbs might result in a shortage of good quality office accommodation, thereby forcing up rents and capital values of existing buildings. Labour councillors say, however, that their aim to give priority to schemes which would stimulate industrial jobs, housing or provide other community gains has been misrepresented as an anti-office policy.

In the event the council's office policy has had, with one or two well-publicised exceptions, only a limited impact on office development plans. Moreover, developers, determined to try to find a way through the GLC net, can always appeal to Mr Michael Heseltine, Environment Secretary, the final arbiter in planning matters.

Under planning legislation an

appeal by a developer to the Environment Secretary automatically triggers a public inquiry. Several such public inquiries have been held or are taking place into major and controversial office developments planned for the south bank. Mr Heseltine, however, takes a keen interest in riverside development schemes for London. It is arguable that the Secretary of State may have called in some of these schemes anyway—irrespective of opposition from the GLC.

Mr Heseltine recently decided to call in development proposals for the historic Billingsgate site on the north bank, even though

**Planning and the GLC**  
ANDREW TAYLOR

plans had still to be considered by the GLC.

The council's office policy allows room for a fair degree of flexibility. It says it has no general opposition to developments in "preferred office locations" as designated by the Greater London District Plan. It has suggested to London boroughs, however, that they may like to reconsider the designation of some 'preferred' locations.

The council does not rule out the possibility of office schemes taking place outside the designated preferred locations provided these schemes produce sufficient community gain. This may include some generation of industrial jobs, provision of housing or some other community benefit such as the provision of transport facilities.

The stated policy gives the council a fair degree of licence to approve or reject schemes as it sees fit.

Figures produced by GLC officers show that by the end of February the council had approved nine office schemes in the City, totalling more than 500,000 sq. ft.

A similar picture has

## OFFICE PROPERTY IV



St George's Hospital, Hyde Park Corner: a 207,000 sq ft scheme opposed

## In the planning maze

THE Department of the Environment has been able to show recently that its response time to planning appeals has fallen appreciably, by 30 per cent to a record 17 weeks for deciding written representations. At the same time, however, the fate of several major schemes still seems to drag on in interminable debate.

With delays on such schemes remaining a problem, the attempt by Mr Michael Heseltine, the Environment Minister to speed up the planning decision process on an important South Bank site has been welcomed by developers and, among others, the Confederation of British Industry. Equally, it has roused almost unanimous opposition from the planners and local authorities.

The point now is whether the Government can reconcile these views or, indeed, whether it needs to. Will the element of architectural competition, it plans to bring into this new initiative produce schemes to please and even excite their users?

The test case is the 12-acre Arunbridge scheme on the South Bank of Vauxhall Bridge. Arunbridge, a Kuwaiti-backed development project group headed by Mr Ronald Lyon has assembled three individual sites, two of which had already run into considerable planning controversy, on which it hopes to build offices, and some residential and leisure facilities, at a cost thought to range between £75m and £80m.

The land comprises the Esso site, on which proposals to build the 500 ft high Green Giant office block were turned down by Mr Heseltine himself after considerable Parliamentary

debate two years ago. Another component is the Nine Elms cold store building, let from British Rail while the third element is the "Eiffa" site on which a planning inquiry was held last year. A decision on that inquiry is now awaited. In announcing his decision to hold an architectural competition last November, Mr Heseltine let it be known that should a design of proven merit emerge a special development order would be laid before Parliament.

There is nothing staggeringly new about either special development orders (SDOs) or

**Appeals and competitions**  
RAY MAUGHAN

architectural competitions. Such contests were used to decide the shape of the House of Commons in the middle of last century. And last December, Mr Heseltine announced a competition for a very central site in London—a 24,000 sq ft plot of land lying vacant next to the National Gallery in Trafalgar Square. The idea is to provide new galleries which will be financed by private development on the lower floors. As such, the scheme would be the first time that planning gain has been used to the advantage of a major public institution in London.

SDOs, too, have been in existence for some time and the principle was last used for the Windscale inquiry four

years ago. But Arunbridge is the only occasion where such an order is being contemplated for a major, inner city commercial development.

In an attempt to discover what backing the introduction of SDOs, linked with competition would receive, Mr Heseltine issued a consultative paper to some 30 interested parties last June.

The competition for the South Bank site will be run by a team of assessors. The idea was that the RIBA would put up two assessors, Arunbridge would nominate another and the local authority, Lambeth Council, in this case, would name the fourth.

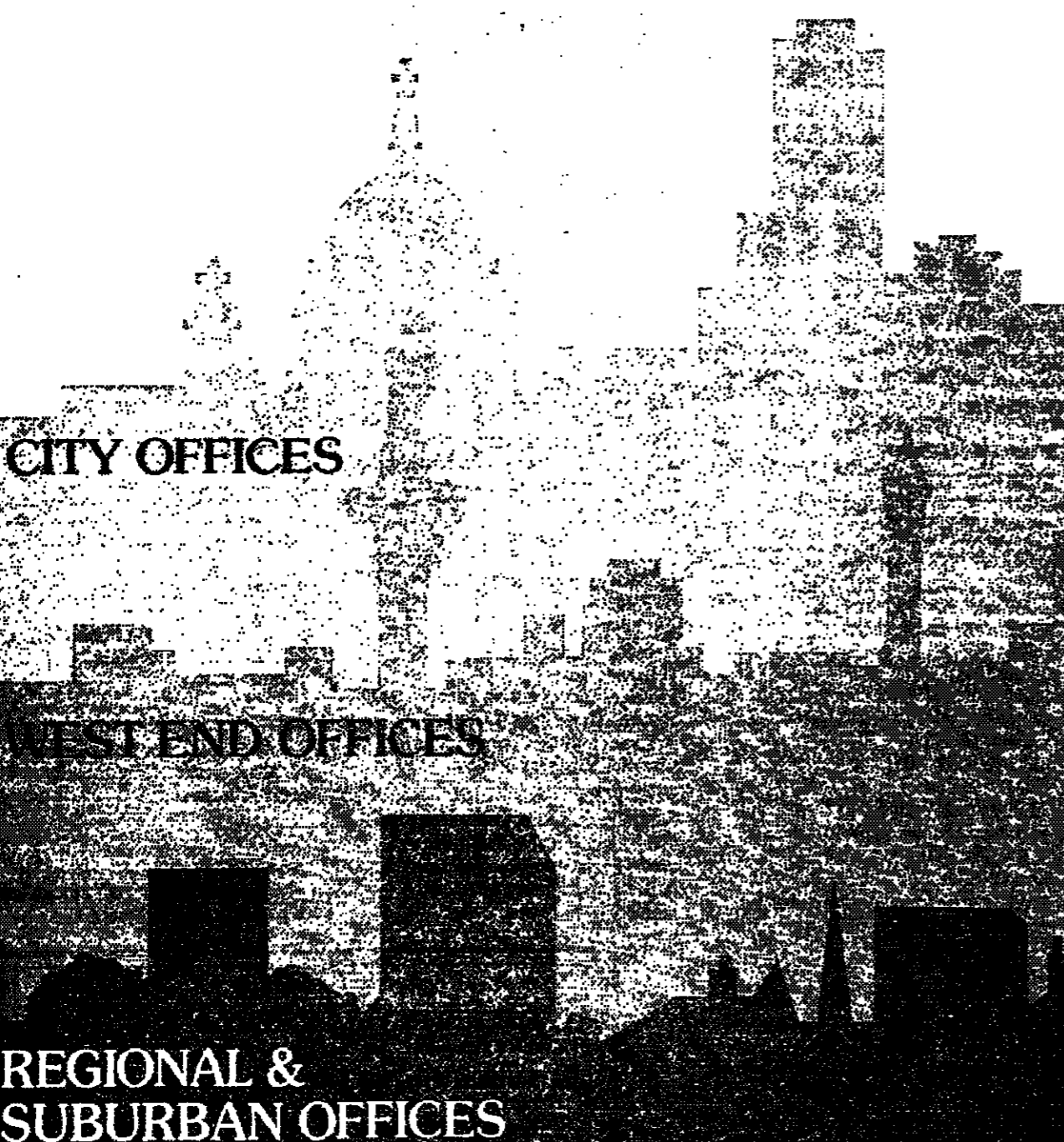
Lambeth however, objected strongly from the start. Again, its response should have been predicted since the council had made its view quite firmly in the SDO consultative document. The authority declined to nominate its own assessor and the competition was left without benefit of essential town planning expertise and detailed knowledge of the council's plans for the surrounding area.

Eight firms have been short-listed and their designs are due to be publicly exhibited next month.

Some of the leading developers, under the aegis of the British Property Federation, have twice discussed the principles of architectural competition, backed up where required by parliamentary order, with the Minister. For the moment, however, the industry is watching events on the south side of Vauxhall Bridge with particular care.

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**Costs**  
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For the occupier the annual rate demand is becoming one of the biggest headaches. With rents the cost is fixed, at least until the next rent review. But rates can be, and usually are, increased every year.

London agents Debenham Tewson and Chinnocks produce an annual office rent and rates review based on a survey of prime property in 26 centres throughout the country. For the year just ending the Debenham men estimate that the annual rate burden has increased on average by 22 per cent. A pretty high figure,

though below the particularly heavy 27 per cent increase for 1980-81. Over the past three years rate increases have outpaced inflation by about 25 per cent.

Clearly there is considerable variations between local authorities. Debenham calculates that the differentials in rate increases have been consistently widening during the 1970s. In 1981-82 the variation reached a peak. In Hull, for example, there was a small decline in the rate charge last year while some authorities put in rate bills higher by up to 40 per cent.

Figures compiled by the Chartered Institute of Public Finance and Accountancy show that the average rate increase throughout the country was 17 per cent. The imbalance between regions can be aptly demonstrated by the Institute's breakdown. Inner London rates rose by 33 per cent for 1981-82, outer London by 26 per cent and the Metropolitan area by 24 per cent. The rate rises in the "shire" counties tended to be far less. The Institute's figures show that the English "shires" rose by 11 per cent and the Welsh ones by 14 per cent.

Outside London the two major centres in Scotland, Edinburgh and Glasgow, put a hard burden on their ratepayers. Edinburgh increased its rates by 42 per cent while Glasgow put them up by 38 per cent. Sheffield was another area where rates rose dramatically this year—an increase of 38 per cent.

Taking in rent increases as well as rates the costs of office accommodation in Sheffield during the nine years that Debenham has been producing its review have increased in percentage terms, by more than any other centre—a near four-fold increase. Still, Sheffield is a far cheaper place to "set up shop" than the City. In Sheffield that waste bin is probably costing less than £3 a year to sit there.

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## OFFICE PROPERTY V

Articles here and on the following page review trends in London and the main regional centres

## Inner core remains strong

IN MEDICAL terminology the City of London office market might be said to be suffering from little more than a recessionary chill. Nothing serious to worry about: vital life signs are reasonably strong and healthy and, given time, there is no reason why the market should not enjoy a full recovery.

In general the sector is suffering from lower tenant demand for floorspace at a time when a

ft. in modern tower block, actually on the central market. Rents for top quality office suites in the banking district are now averaging £23 to £26 a sq ft with top prices having reached £27 a sq ft. For specialist units rents are higher and rents have already breached £30 a sq ft and seem likely to rise further.

During 1981 demand from overseas banks for representative offices has remained at high levels, but recently there have been signs that some well-established American banks with headquarters on the City fringes may be considering decentralising some of their operations.

Chemical Bank, for example, recently announced that it will be moving some of its operations to Cardiff. The American bank has its London headquarters at the Aldwych. It has now agreed to take all 56,500 sq ft in Trafalgar House's new office development at 5 Fitzalan Place, Cardiff.

The bank's decision to decentralise is seen primarily as a response to the higher cost of rents, rates and wages in central London. Rents for the Cardiff office block, for example, are understood to be around £5 a sq ft—well below the cost of similar accommodation in central London.

However, Debenham Tewson and Chinnocks, the agents which, with Walker Son and Packman, handled the Cardiff letting, do not believe that Chemical Bank's move is a reflection of lower demand emerging for offices in the main banking and financial districts.

On the contrary, the agents believe that space shortages have forced expanding overseas banks to look further afield. Previously this has meant moves away from the centre to the City fringes, mainly in a westerly direction.

Certainly the pattern of rent increases throughout the City

has varied considerably during the past 12 months. According to Richard Ellis the lowest City rental growth occurred in the north eastern fringes where space surpluses generally kept annual increases from rising above an average 2 per cent in 1981.

Rental values to the west of St Paul's Cathedral appear to have struggled to achieve rent increases in 1981 much above an average 5 per cent.

Richard Ellis in its recent report on the City office market says that the recession has inevitably reduced take-up of offices throughout the City generally. Last year total take-up fell by around 18 per cent to 2.3m sq ft—40 per cent lower than the take up of 3.7m sq ft during 1977-78. Nonetheless take-up last year was still comfortably above the 1.4m sq ft levels achieved in both 1974 and in 1975.

Ellis says that demand has reduced as a number of major schemes have come onto the

market. The agents estimate that new office supply last year was in the order of 3.3m sq ft compared with 3.7m sq ft. As a result there was a surplus of about 1m sq ft throughout the whole of the City office market in 1981.

The oversupply was more evidence for units above 10,000 sq ft and mainly affected areas outside the central banking and financial areas. Given the level of new schemes still to come on stream the agents estimate that there will be a further surplus of accommodation—possibly of 500,000 sq ft—on the market in 1982. By 1983 a more healthy balance between supply and demand is expected.

Chris Peacock of Jones Lang Wootton has stressed the resilience of the City market during the past 12 months. He says that bearing in mind the general state of the economy the City office market has shown itself to be basically very strong.

It is a view, with which it is very hard to disagree.

## Underlying tone seen as firm

West End  
RAY MAUGHAN

NO MATTER how the overall economy performs this year in response to the Chancellor's Budget pronouncements, in the property sector in particular, the West End office market is expected to remain quite firm.

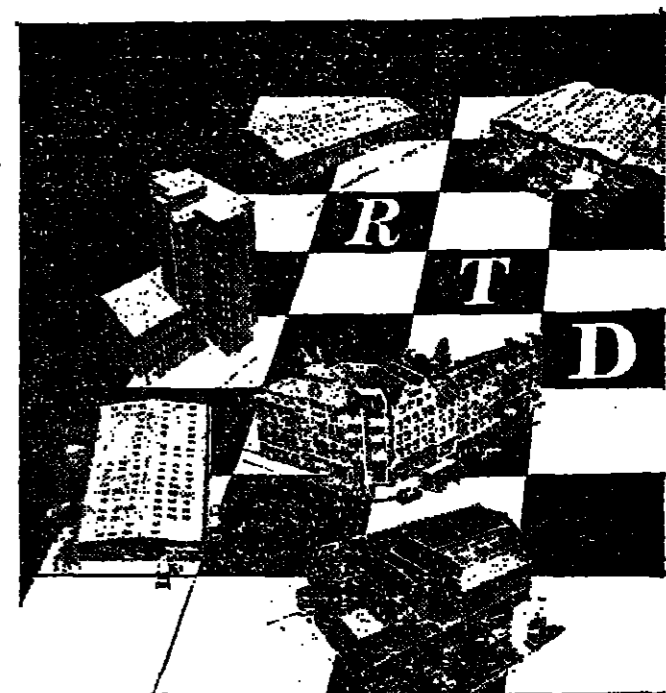
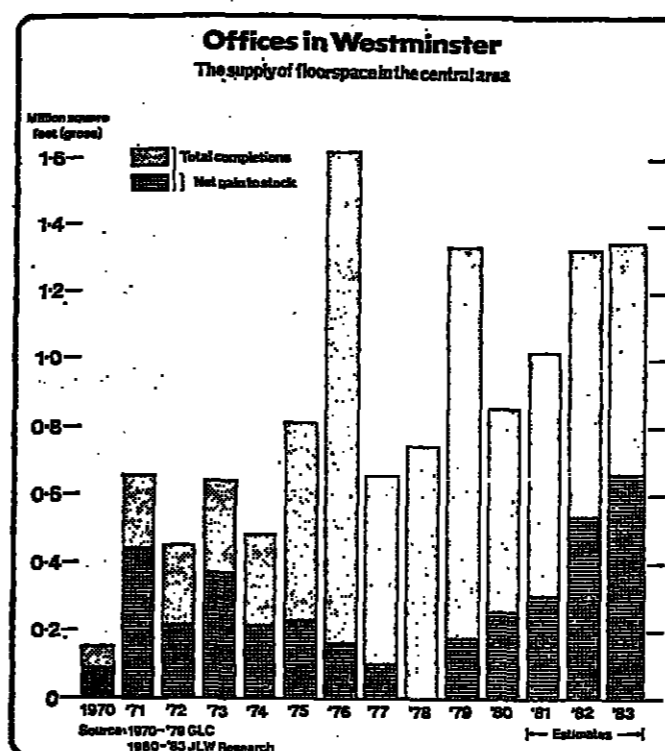
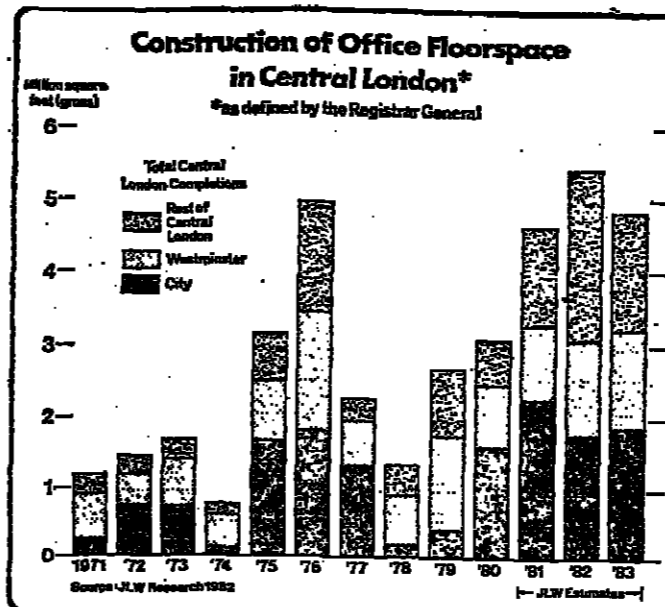
In a recent property market survey, St Quintin notes that rapid rental growth has occurred for prime locations such as Pall Mall, the fringe areas of Mayfair and now Covent Garden.

Looking particularly at air-conditioned premises, another estate agent, Leslie Lintott and Associates, notes that the

amount of space available in the West End area has remained "fairly consistent" since July of last year at around the million sq ft level although during that period approximately 541,000 sq ft have been let.

The firm's analysis of asking rents on a three month rolling average basis shows that the average has risen from £16.04 per sq ft to £19.71 per sq ft between January 1981 and the beginning of this year.

In St James's, agents Weatherall Green and Smith recently had the rare distinction of selling two freehold premises within the space of a few months. Hard-hitting industrial giant, Tube Investments quit its prestige headquarters at Bridgewater House, Cleveland Row. The buyer paid about £10m for 58,000 sq ft. The same client purchased the 36,000 sq ft offices of the Junior Cavalry Club for some £9m.



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## FOREIGN BANKS WITH OFFICES IN LONDON

These approximate figures indicate broadly the movement of foreign banks in and out of London, on an annual basis.

	American			European			Japanese			Others			Summary		
	Total	In	Out	Total	In	Out	Total	In	Out	Total	In	Out	Total	In	Out
1974	61	1	9	91	15	23	2	79	6	254	1	32	2	254	1
1975	58	3	2	90	6	5	23	86	2	17	280	5	28	17	280
1976	57	3	2	97	2	9	24	115	12	206	3	28	129	2	16
1977	63	1	5	110	1	8	25	137	3	11	356	6	31	147	3
1978	72	2	6	123	1	14	25	147	3	12	384	7	35	154	5
1979	71	2	1	141	3	21	25	154	5	12	400	8	24	154	5
1980	73	1	3	148	2	9	25	154	5	12	400	8	24	154	5
1981	73	1	3	148	2	9	25	154	5	12	400	8	24	154	5
1980-81	13	78		17	128		16	15	139		44	371			

Source: Noel Alexander Associates.

## Timely revival as big projects line up

DEVELOPERS ARE beginning to show renewed interest in Birmingham's prime office centre as rents continue to nudge upwards. The 27 a sq ft mark has already been broken in the area favoured by the financial community bounded roughly by Waterloo Street, and Colmore Row.

A key test of the market will be St Philips House; a 24,000 sq ft office development includes a 3,000 sq ft banking hall for which agents Shipway Doble are thought to be seeking a rent of over £5 a sq ft.

Recession brought an obvious slowdown in development but if anything there is a shortage of large modern accommodation. But the position could change drastically. Tarmac Properties is starting construction this month of a 120,000 sq ft development and a handful of other large projects could begin this year or next.

The next big new building due for completion is Berwick House, a 59,000 sq ft development by Ulster Properties on

the corner of Great Charles Street and Livery Street. Although just outside the prime financial area, a rent of around £6.50 a sq ft is likely to be sought.

A similar rent is expected to be achieved for Civic House, an 80,000 sq ft project by Norwich Union at the corner of Great

the development of Victoria Square, an important city landmark.

Birmingham City Council attracted attention by taking the initiative in bringing onto the market a prime site near to the Bank of England and bounded by Needles Alley, Cannon Passage and Cannon Street.

The local authority, which owns the majority of the site in conjunction with Land Securities, has drawn up a planning brief for some retail development and around 60,000 sq ft of offices.

Mr Ron Shuck, chairman and chief executive of Epley-Tyts, hopes to begin work by the autumn on providing around 86,000 sq ft of character offices in Newhall Street.

Another project on which action is expected this year is the much discussed development of the old Snow Hill Station site owned 80 per cent by the British Rail Property Board with the balance held by

Birmingham City Council. Rank City Wall is ready to go when the time is considered right for a 120,000 sq ft project near to New Street Station.

Advance tenants are being sought for Compass House, a 17-storey office block with an adjoining smaller development.

Heron Corporation won the tender put out by Birmingham City Council for a scheme to complete the Paradise Circus development. About 98,000 sq ft of offices are included in the first phase of the project which will eventually provide double that amount of commercial accommodation in addition to a 200-bedroom hotel, shops, leisure and conference facilities.

Secondary sites within the inner ring have fared less well around 130,000 sq ft of fairly modern accommodation is available. Rents will clearly vary according to the age, accessibility and size of the offices but range from £2 per sq ft for 1960s blocks to perhaps £3.50 for newer property.

Birmingham  
ARTHUR SMITH

Charles Street and Summer Row due for completion about this time next year.

Tarmac, whose development on the former Post Office sorting site in Victoria Square is due for completion in autumn 1984, can be expected to be seeking a rent approaching £8 a sq ft. On the fringe of the prime area the film project will nevertheless mark completion.

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HOUNSLOW	50,000 sq. ft.	SWANSEA	5,500 sq. ft.
HUNGERFORD	3,500 sq. ft.	SWANSEA	11,000 sq. ft.
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Prime sites prove more resilient to recession than many fringe areas

## Setback to growth rate

A DEEP and lasting recession has inevitably hit the level of tenant demand in virtually all sectors of the market. Negotiations are becoming tougher and more protracted as a reduction in demand coupled with a modest increase in available accommodation has led to a position of oversupply in many regions. As a result, rental growth in most areas has either ceased or slowed to a level below the rate of inflation. It is hard to imagine that the trend will improve during the coming year.

air-conditioned office space can go for £27 a sq ft and tenants for accommodation with an asking rent of between £25 and £30 can be found without too much difficulty. In rather special circumstances rents of up to £50 a sq ft have been rumoured—but these, if they have actually been struck, are deals where the tenant is interested solely in location regardless of cost.

### Rents

TERRY GARRETT

Even the City of London—one of the most resilient of office markets—suffered from a slowdown in the level of demand, an increasing amount of surplus property and sluggish rental growth in all but the very centre. Still, against other areas London is looking relatively healthy.

In the City, office rents have risen by between 7 and 10 per cent on average against an increase in 1980 of over 10 per cent. Not surprisingly the biggest increases were recorded in the inner core—the prime area occupied by the financial sector. The banks in particular seem to have insatiable appetites for accommodation. This demand stems from an expansion of the international operations of the UK domestic banks and a steady flow of overseas bankers coming to the UK. Such demand has ensured that there is an almost continuous shortage of prime office space and therefore it is these areas which have recorded the highest rental growth figures. Increases of 10 per cent during 1981 were commonplace while gains of up to 15 per cent for prime locations have been achieved.

In top notch locations, good

But it has not been all sweetness and light in London. For example areas to the west of St Paul's Cathedral have only achieved rental growth of around 6 per cent over the last 12 months while the north-east fringe markets have hardly budged—rents are perhaps a couple of percentage points higher.

It is the fringe areas where there is most cause for concern. Some of the buildings which have recently been completed in the fringe regions are evidently finding some difficulty in attracting good occupiers. The position of these areas could deteriorate before it gets better while some of the rents that developers are currently asking may need to be downgraded before they move much space.

And this year? London office rents should keep moving ahead but the growth rate is unlikely to be any better than that achieved during 1981. Overall rents would rise between seven and ten per cent again with the really prime areas rising by up

to, say, 15 per cent. With £27 a sq ft now an established benchmark for a prime City site the end of 1982 could well see £30 becoming the norm. That figure has already been achieved in a very few lettings but because of the psychological barrier rentals may have a hard time struggling much above £30.

Still, agents Richard Ellis are confident of their projection that office rents will reach £40 to £45 a sq ft by 1985. And if prime City accommodation can keep moving ahead by 15 per cent a year they might well be proved right.

Outside the City of London the office market is open to wide regional variations. Local rent levels are determined by short-term supply and demand equations rather than any wider economic "state of the nation" type considerations. Clearly supply is influenced by wider factors but in some towns rents have seen considerable growth over the last couple of years solely because of a lack of new development rather than any underlying surge in demand. Bristol's history provides a classic example. Throughout the Sixties and early Seventies rental levels were showing fairly steady growth. But as companies increasingly decentralised away from London, Bristol became an increasingly favoured area. From about £150 a sq ft in 1973 rents shot up to well over £3 in 1974. But as the sharp upsurge in demand worked through, the developers jumped on to the band wagon. In 1974, over 1m sq ft of new development was completed, twice the previous peak. The result—supply exceeded demand and rents held unchanged and then actually fell back to nearer £250 a sq ft before the surplus was taken up and the much

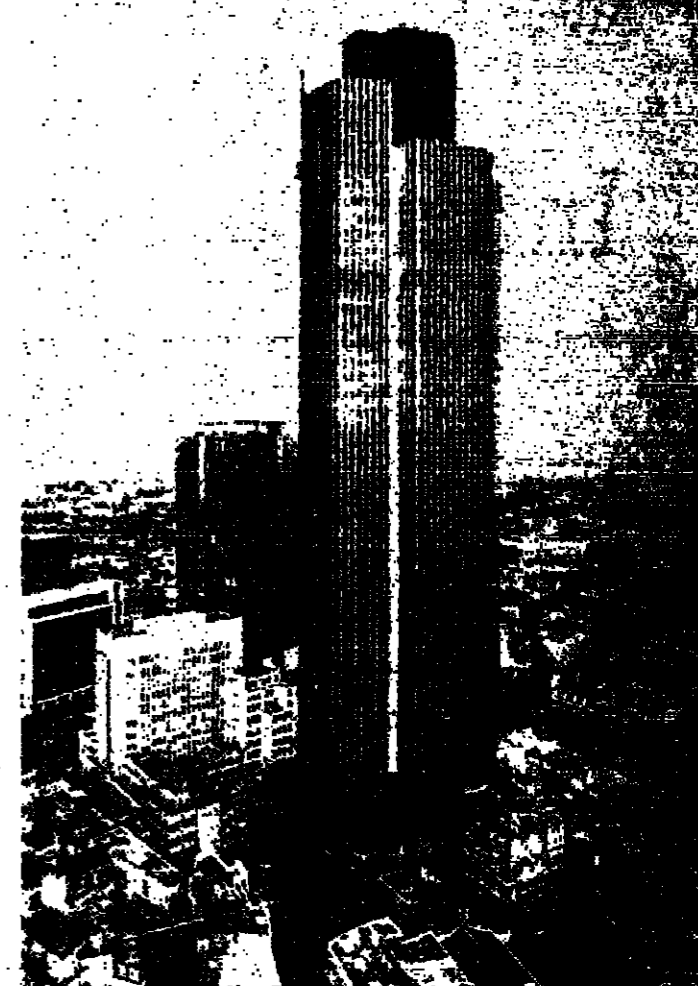
reduced level of new development allowed rents to start rising again.

Rents in Bristol are up to £6.50 a sq ft and again they look set to level out. Supply is building up to a pretty substantial level, according to agents Richard Ellis.

Nearer London, Reading has proved one of the most attractive areas for companies moving out of London and for international companies moving into the UK. Well-placed within the so-called "golden triangle", Reading office rents have climbed to around £12.50 for prime air-conditioned space. Again a fair amount of development is coming on stream and some institutional funders are beginning to take a more wary stance. The Thorn EMI Pension Fund development is believed to be pitched with an asking rent of £14 a sq ft.

In between the two, Swindon has shown fair rental growth in recent years. The local authorities have been especially adroit at keeping supply and demand in balance. Rents are typically £7 a sq ft though Commercial Union, which has just completed a 60,000-sq-ft second phase, is understood to be thinking in terms of a rent in the "middle to late seventies".

Moving north, Leeds is one area where the developers have overdone it. Rents have barely moved over the past 12 months. An electricity workers' pension fund scheme with 400,000 sq ft of space is vacant and further developments are coming along which could add another 100,000 sq ft over the next year. All this for a market which normally sees an outtake of around 200,000 sq ft per annum and last year was down to around 100,000 sq ft. It is



The National Westminster tower in the City of London: the financial sector keeps the demand for prime sites buoyant

a well-established centre for the north-east but Leeds is going to suffer with an oversupply for some time and for the next year or two rents are going to be hard pushed to climb much above their current £5.50 level. Newcastle has seen a fair amount of development in

recent years, but it's not a fast moving market and while £5 a sq ft has been achieved in a letting at Regent's Centre recently the office market could easily come off the boil if some of the larger schemes which are being talked about, are actually undertaken.



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## Small units stay in demand

AN IMPROVEMENT in the supply of office space in Glasgow has dispelled fears that the city would face a shortage by the mid-1980s. In fact on present trends the view now is that there is more likelihood of excess capacity.

On average about 250,000 to 300,000 sq ft of office space comes on the market in Glasgow every year. Most of the lettings at the moment, however, are on a small scale consisting of suites of 2,000 to 3,000 sq ft.

During the past year new space coming on the market rose sharply to 282,000 sq ft compared with the depressed

level of 68,000 sq ft in 1980. This has led to some scepticism in the property market taking the view that the amount of office space under construction or in the pipeline could now actually result in a surplus by 1985 or 1986.

The key development in terms of office space has been the construction of the British National Oil Corporation's new headquarters in Bothwell Street. The new HQ will provide office space of 450,000 sq ft by the end of 1985 or 1986, on a different site but still in Bothwell Street. The big insurance companies are among the main developers of prime sites with Scottish Provident, Equitable Life Assurance Society and Scottish Amicable

### Glasgow

MARK MEREDITH

included.

About 100,000 sq ft of office space is currently available and agents in Glasgow feel the outlook for both developers and clients is healthy despite the poor economic climate. Estate agents report a healthy continued turnover in smaller units, with the high season approaching in May.

What has possibly worried the sceptics about oversupply in future has been the sheer size of office development projects for the city.

Developments Commercial and Industrial (Scotland) plans an office shop complex in a prime central location on the corner of Argyle and Hope Streets. The developers have planning permission to begin construction and the project will offer the city an additional

80,000 sq ft of office space. They hope for completion some time in 1983.

Rents are at a record level of £6 a sq ft, fractionally more for prime locations.

Quality refurbishments fetch £5 a sq ft while older property and more peripheral locations command rents varying from £2 to £4.08.

Lambert Smith in a look at the Glasgow office market last June noted that construction costs had been held down because the building industry was operating well below capacity. The report noted the move towards refurbishments in the city. Restoration work has brought back much of the charm to older parts of the city.

Kenneth Ryden and Partners in their January property review noted that in terms of investments the institutional market remained firm, with considerable interest shown in the small number of prime developments that became available. "The market appears to be unaffected by recession with funds buying for long-term growth rather than short-term gain," the review noted.

## Testing time for market

### Manchester

NICK GARNETT

past few years the amount of new accommodation under construction is relatively small.

Very few owner occupier offices have been constructed in recent years. A good proportion of what has been built has been centred on the prime location of Whitlow south of the city in Cheshire. The new headquarters for the Whitcroft group is the most obvious example. The vast bulk of new office space has been speculative for letting in the open market.

In general, rents have doubled in the past five to seven years. For new buildings in the city centre they have reached £3.50 to £5 per sq ft, an increase of £1.50 over the past 18 months.

That is now broadly in line with the asking rents for the biggest new office block on the market—the 100,000 sq ft of space in Heron House, Albert Square.

That development was due to house part of the city's local authority administration which eventually decided against the move. Next to it, the Royal Liver development has been let to Commercial Union—the first pre-letting of any size in the city for many years.

Suburban rents have reached £5.25 per sq ft for small units and agents report that £4.50 has been easily obtainable for whole buildings. The exception to the pattern of generally lower suburban rents is Whitlow outside the immediate city boundaries which with good shopping, communications, car parking and housing now has property on the market at £8.50.

Refurbished accommodation has been left behind a little in terms of rental growth, however. Some agents say that Manchester will never again see major office and commercial development such as the Arndale Centre in the heart of the city. The speed with which Heron House and the 40,000 sq ft penthouse, near Spring Gardens are rented could also determine how soon new medium-sized ventures are planned. The latter is widely expected to be let shortly leaving only Heron House available in that bracket size.

There are some major sites however which could be developed. One is the old Central Station location for which a number of grandiose commercial schemes have been conceived. One overall development plan costing £120m and including an exhibition centre and hotel has been proposed by the Metropolitan Council. Others are the old cotton warehouses around Whitworth and Princess Streets.

One change that is likely to affect office development is the City Council's planning policy. Agents say that there has been a very noticeable shift in the council's attitude towards city centre parking. Where once it resisted the creation of new parking facilities linked to office development it is now much more lenient and in some ways encouraging.

This, to some extent, has been forced on the council by the relative attractiveness of outer locations such as Altrincham, Sale and Cheadle Hulme on the edges of the city where offices of say 12,000 sq ft may have parking space for 20 or 30 cars.

Like so much of industry and commerce, property agents and developers point to the rates burden as an important factor in the speed of renting. Most appear worried at rate increases within the city.

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## TECHNOLOGY

EDITED BY ALAN CANE

## Debut for UK's miniature oscilloscope

BY DAVID FISHLOCK, SCIENCE EDITOR

PROFESSOR CYRIL HILSUM, chief scientific officer at the Royal Signals and Radar Establishment, Malvern, tells a story to illustrate the importance of backing hunches in science. In the late-1960s, when Malvern had persuaded the Government to support a research programme on novel electronic displays, a report was drafted proposing that the main effort should be focused on ferrite (magnetic) displays, with a smaller effort on liquid crystals as the outsider.

At the 14th hour, Prof Hilsum switched the emphasis to make liquid crystal (LC) displays the prime target. Today, Britain is earning about £500,000 a year in royalties from sales worldwide of miniature LC displays, chiefly for Japanese digital watches and calculators.

Malvern, with the help of Hull University, perfected a new family of far more stable chemicals to use as liquid crystals. Meanwhile, the magnetic display seems to be dead. This week, Malvern's pioneer-

ing work in developing the LC display took another major step forward with the commercial debut of what it believes is the world's first oscilloscope with a flat screen instead of the customary cathode ray tube.

From a prototype originally demonstrated by Prof Hilsum's displays group, Scopex of Letchworth Garden City, specialists in oscilloscopes, have developed a portable instrument that needs only 15 volts to drive its display, instead of the high voltages of the CRT.

The result is a rugged plastic pack weighing only 2.5 kg, as convenient to carry as an Avo, which can be used to look for trouble in factory, garage or hospital environments where a risk of explosion has previously excluded the oscilloscope. Shock and acceleration cause no problems, the maker says.

Its display is a screen 10 cm by 6 cm, with the curious characteristic that waveforms become more, not less, readily visible as ambient light be-

comes brighter.

To quote Prof Hilsum: "The display matches the eye, while the electronics match the signals—a sensible arrangement ergonomically."

One member of Malvern's displays group, Mr Paul Holland, joined Scopex as a director of digital technology, to help transfer the L-D technology. Another, Dr Ian Shanks, stayed close to the project at Malvern. Between them, they designed an LC display with such features as storage which grace the more expensive conventional oscilloscopes.

The key innovation Scopex has licensed from Malvern is a new drive system for LC displays, which uses the essential simplicity of the information an oscilloscope is displaying, namely the shape of a wave.

To quote Dr Shanks, the drive method uses row and column drive waveforms which are divided into discrete time periods. In each period the drive waveform may have one of only two possible values of voltage, zero or something else

(typically 15V). These are associated with the logic states "0" and "1" respectively. The drive waveforms thus consist of a sequence of logic zeros and ones which repeats after 0.03 seconds.

Such waveforms can be generated from standard CMOS logic circuits without need for special driver display circuits. The LC displays themselves are manufactured to Scopex's specifications by two specialist UK companies, Lucid Displays (GEC) and Rascal Research. The Voyager represents "the first really major change in the design of oscilloscopes since they were invented in 1931," Dr Shanks claims.

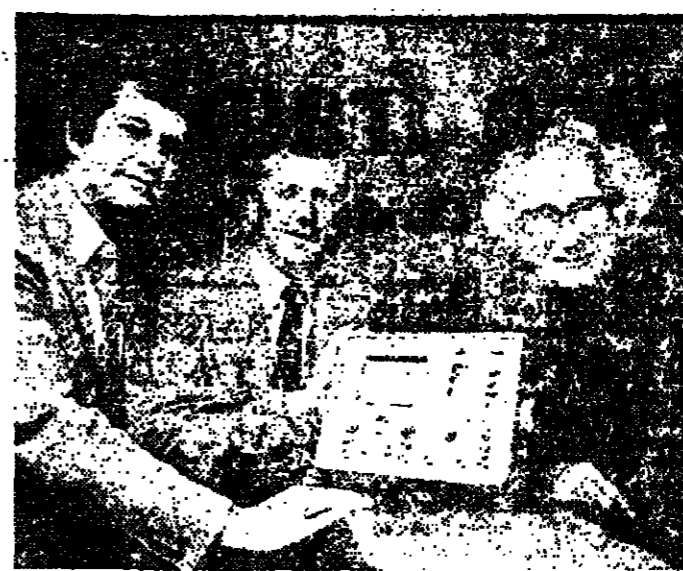
With the help of a silicon chip random access memory (RAM), it can store waveforms with the instrument switched on for up to eight hours, and switched off for up to 100 days. It also has what Prof Hilsum calls a "Dr Who control" which captures and stores isolated events and allows the viewer to look back to see what might have triggered the event.

Scopex has a non-exclusive licence for the LC technology, as a result of an introduction by the National Research Development Corporation (now British Technology Group). It was the only one of a dozen UK companies approached by NRDC to evince interest in an advanced-technology oscilloscope.

Mr Jim Copps, managing director of Scopex, reckons that the privately-owned company has invested about £150,000 in the development, out of profits on its conventional oscilloscope range.

Last autumn he raised a £400,000 bank loan from Barclays—less than he wished, he acknowledges wryly—to finance initial production of upwards of 100 Voyagers a week, together with further development of a range of LC oscilloscopes.

His initial targets will be the laboratory market for storage oscilloscopes, and the markets for portable trouble-shooting instruments in environments which forbid high-voltage tools.



Paul Holland of Scopex (left) and Dr Ian Shanks and Professor Cyril Hilsum of the Royal Signals and Radar Establishment, with the Scopex Voyager oscilloscope.

He claims that, at a price of £2,500, Scopex is "providing the technology of liquid crystals almost for nothing."

Jim Copps admits that he sees the displays group at Malvern—spending about £750,000 a year, mostly on LC displays—almost as his long-range research laboratory. Ideas being developed

have included a large-screen LC display, using heat-sensitive chemicals and laser scanning to print an image. It is also working on an ingenious LC display which restores the time-honoured analogue dial and needle—except that the needle is painted electronically on a flat glass screen.

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## Portable saw for tile cutting

A PORTABLE tile saw for floor, wall and roof tiles up to a maximum thickness of 40mm (1½ ins) has been announced by Errut Products of Speedwell Industrial Estate, Staveley, Derbyshire (0346 433292).

The unit weighs 20kg and can be transported in a case which doubles as a 4.5 gallon water container. The water is fed to a 230mm diamond blade by a self-priming pump.

The roller mounted cutting table can be adjusted to an angle of 45 degrees for mitre cuts. Mr Ray Caulfield is the man to contact or Errut's London office (01-205 9773).

## Servo-motors

CONTRAVES Industrial Products, Moulton Park Industrial Estate, Northampton (0604 483201) has introduced a range of DC servo-motors. Two series, offering a choice of eight models, are available.

## Automated feeds for presses

ROBOTICS is the "in" word these days. But what small and medium volume manufacturers want is real low-cost automation which they were promised during the white heat of technological revolution days of yester year, and which, somehow, failed to do more than poke its head round the corner.

Those doing press work probably felt more let down than most because even today the method has hardly changed since the beginning of the century.

A blank piece of metal is put under the press, the guard gate is closed to prevent accidental injury, a foot button is pressed and down comes the press for the first operation. The developing component is then passed to the next power press, and so on until completed.

Les Dyche, a design engineer, thought a lot about how to change this while he worked to establish his own business under the arches of Snow Hill station, the old Birmingham railway station.

After a six-year spell in South Africa he now has a small factory at Tamworth, Staffs, and some new and updated equipment for automating the feeds to power presses.

Basic costs range from £1,700 to a maximum of about £4,000 to transform even 30-year-old presses without, however, the need to alter their tooling. The outlay is often recoverable in a few months.

The versatility of the system is illustrated by the wide range of components that can be made, from lock parts and cutting blades to gear wheels and sliding cabinet slides, in sizes up to 12 ins square, but with a near future ability to go to 15 ins. Because the feed mechanism can be changed in 15 minutes the system is especially suitable for short runs.

The method of operation and devices used are so simple they fall within the "Why didn't I

think of that before" category. Air-actuated mechanicals are used so that the operator can not only see what is going on but make adjustments and repairs if necessary.

A number of different feeds are available. One of them is a feed plate at the far end of which is a space into which the blank is fed from a hopper. The plate is shot forward on the upstroke of the press and placed correctly, at the same time pushing the component on to the next station.

A piston under the plate then lifts it just clear of the blank and retracts it for another blank to fall or be put into the space. An output of 40 a minute is being achieved against 14 manually—and the operator has time to feed a second machine.

There are pick and place feeds in which the component is picked up by vacuum and released in position by a sharp puff of air. Or it can be done magnetically in appropriate instances. A feature is the

ability of the arm to follow the stack of blanks downwards. In other systems the blanks have to be presented.

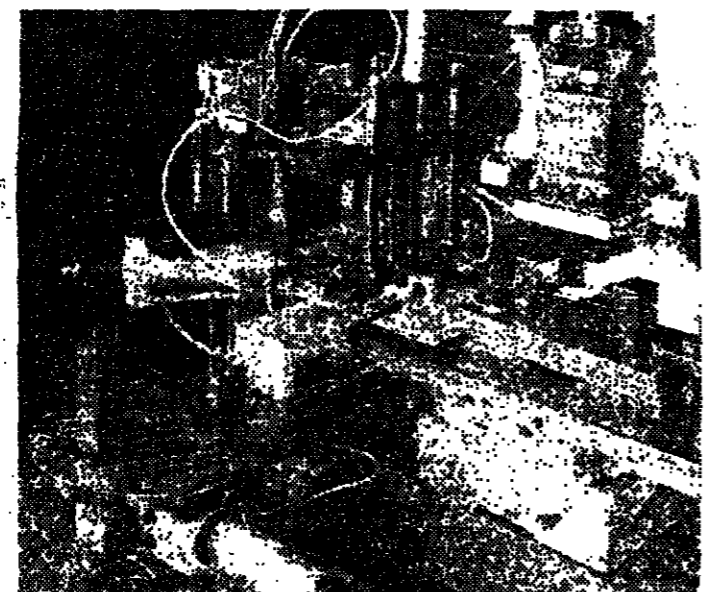
The further ability has been developed to do four jobs simultaneously. Thus the filing cabinet slides are cropped from strip, and holes pierced; the holes are counter sunk, ribs put in and lugs bent down; the channels are raised and finally the piece is split into two halves.

Until the recession the company exported 53 per cent to a dozen countries, between 1979 and 1980 the export content dropped to 12 per cent where it continues to hover. But home market demand took up the slack until last year.

"Then tight fisted accountants began to say 'No' to their enthusiastic engineers," says Dyche. "Only hope they will be competitive enough when the recession lifts."

More from Tool Production and Design, Tamworth, Staffs B79 7TA. (Tamworth 580683).

PETER CARTWRIGHT



A close-up of a turntable magazine with reserve stock for automatic feed to the press.

## Temperature calibrators for diesel, turbine checks

TWO temperature calibrators designed for checking large diesels or turbines have been announced by E. V. Johansson of Denmark, and are available through Hunter Agencies, New-

castle upon Tyne (0632 810377).

Johansson claims that the EVJ 200 and 600 have resolved the problem of frequent calibration for such instruments. The models cover the

range up to 600 deg C and, at seven kilogrammes, are highly portable.

Both offer digital read out and have dispensed with ordinary mercury thermometers.

Stable calibration temperature can be achieved in about six minutes with re-setting to a lower temperature by an internal fan.

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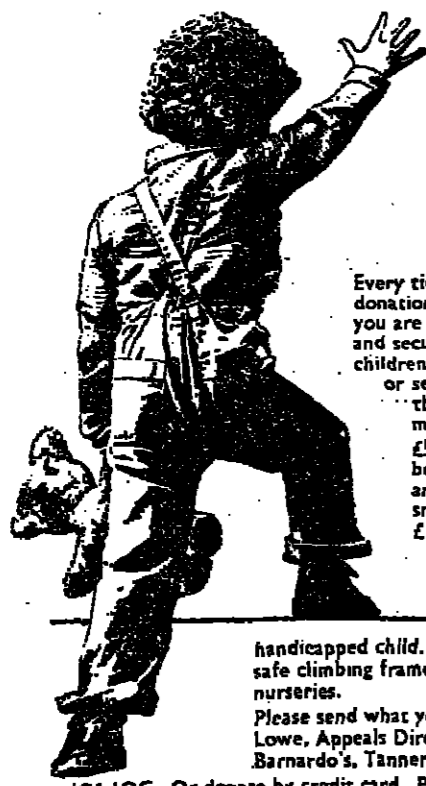
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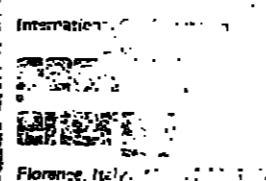
IG6 1QG. Or donate by credit card. Please telephone Tel: 01-200 0200, give your card number and quote Dr Barnardo's Room No. 318.

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## Stand for electric drills

A HEAVY duty vertical drill stand for the Sugino Type ESB electric drills is now available from Concentric Production Research. Similar stands are available for all the pneumatic feed units from Sugino.

The stand (model US-74) has a 600 mm vertical column with a drill clamp to swivel as well as slide to facilitate angular rotation of the drilling or tapping unit. Concentric is at Reddick Trading Estate, Sutton Coldfield, West Midlands (021-378 3030).



Further details and literature can be obtained from Concentric Production Research, 100, The Quadrant, Sutton Coldfield, West Midlands B67 1JH. Tel: 021-378 3030.

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## THE MANAGEMENT PAGE

## How a fragile jigsaw is being pieced together

Christopher Lorenz examines the painstaking integration of Pilkington and Flachglas

Takeovers are far trickier than many companies realise. No amount of sophisticated searching for the ideal acquisition candidate, nor financial wizardry in the deal itself, can compensate for inept handling of the prolonged integration process which then has to follow.

When the parent and its new subsidiary are in different countries, with contrasting corporate cultures, the stakes are raised still further. Add to this the parent's inability to exert direct managerial control, because it does not hold all the subsidiary's shares, and you face potential disaster.

Such was the challenge facing Britain's Pilkington Brothers when in June 1980 it bought a 62 per cent stake in Flachglas, West Germany's leading glassmaker, for £141m. Last Friday, we examined the strategy behind the deal, and the way it was executed, while Monday's article outlined Pilkington's "softly, softly" approach to the integration process. Today's concluding article looks at the detailed problems that have confronted five joint sub-committees which the two companies formed to transform the takeover from a paper deal into a properly co-ordinated reality.

## ANATOMY OF A TAKEOVER



how early last year, as did the standard bi-monthly chief executive's report which all Pilkington companies submit.

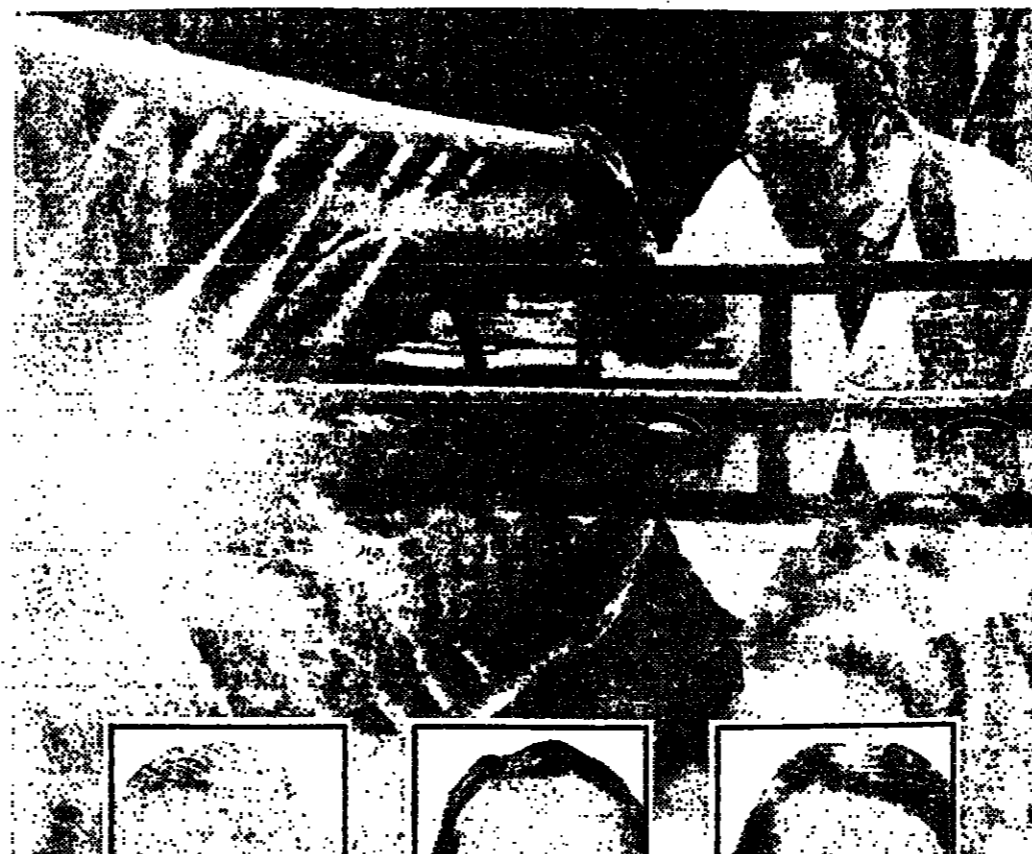
Up to the end of 1980 the sub-committee met monthly. But work on consolidating Flachglas's year-end figures, followed by Pilkington's need to concentrate on putting together its own accounts after the end of March, rather than the half of 1981, says Grunwell, slowing the pace of meetings to a roughly quarterly cycle and delaying further progress on reporting and controls.

It was only last November that Flachglas began submitting the standard Pilkington bi-monthly forecast of performance versus budget; the German company had always confined its formal budget monitoring procedure to a half-yearly exercise, though more frequent reviews took place informally.

Other examples of the progress which has been made since mid-1981 include an agreement on how the Flachglas group and Pilkington will exchange capital expenditure data; previously Flachglas did not include its subsidiaries. It will also move into line with Pilkington's practice of producing two-year forecasts along with its one-year budget.

The sub-committee has also spent considerable time on such matters as comparisons of capital investment appraisal techniques, the compilation of a dictionary of terms, and a discussion of relationships with the UK stock market.

But the most significant item of progress has been on the thorny question of how to reconcile the two companies' investment approvals procedures. Pilkington operates a highly formal two-stage process, under which projects of over £30,000



Denis Cail

Peter Grunwell

Geoffrey Iley

Taking the heat out of glassmaking: as crucial a business for top executives as for the production worker

not only have to be approved as part of the capital expenditure budget, but also have to be justified individually when the expenditure is about to be committed.

The issue was first raised in terms of Flachglas having to move into line with its parent's procedure. But this suggestion provoked strong resistance from some of the top German executives, as did the notion that Flachglas should accept the established Pilkington group formula that any expenditure of over £2m must be submitted for approval to the general board in St. Helens.

The German objections were expressed in proud yet practical

terms, such as "that may be all very well for Pilkington's existing subsidiaries, but not for someone as large and financially strong as we are." Or "Don't forget that Flachglas finances itself, without getting a penny from St. Helens." (To which one Pilkington manager retorts: "This may be true at the moment, but that doesn't mean it always will be.")

A compromise formula on two-stage controls was finally agreed just before last Christmas, 15 months after the question had first been raised. Proposed acquisitions will continue to go to the supervisory board, but now backed up with a Pilkington-style evaluation. The annual capital expenditure budget will be broken into individual items of over £20,000 and "in an informal exchange of data" these will be referred to the relevant sub-committees, which will have capital expenditure as a standing item on their agendas at their bi-monthly or quarterly meetings. Flachglas itself will also continue to

those of longer-term co-ordination and control. But it remains to be seen whether they can operate effectively when really contentious issues arise, or whether a more formal set of controls will be needed eventually.

Six months ago, the members of the financial sub-committee were also involved in an intense debate about the Pilkington principle that roughly 60 per cent of its subsidiaries' net profits should generally be paid out in dividends.

One Flachglas manager claimed that it would have been "contrary to West German share legislation" to make a payment of 60 per cent in 1981; this would have meant that shareholders were "eating into the company's capital," he maintained.

Fortunately for relations between the two sides, the issue seems to have become one of principle only when Flachglas's earnings are booming, as they did in the year in question. The company's past record shows that its two boards have been prepared to accept a payout of 60 per cent or more when profits are depressed, as they were between 1976 and 1979, when Flachglas was investing heavily in its related glass production.

Its earnings have slipped sharply in the past year, under the impact of the West German recession and stiffer competition, so the issue does not have to be resolved immediately, much though the hard-pressed Pilkington would welcome a greater injection of dividends from Germany.

In the meantime the parent company has accepted that a quoted subsidiary cannot tie its dividend immutably to a level of profits which may fluctuate sharply, and that dividends should be discussed on a year-to-year basis.

The only other sub-committee to have started having a concrete effect on weeks after the takeover was Production. Within days of its first meet-

ing, two of Pilkington's most senior engineers were dispatched to Germany to advise on the complicated repair of a float glass plant.

Technical pride on both sides obscures the real extent to which Flachglas modified its repair plans as a result, but there is general agreement with Dr Otto Stiehl, production director and deputy executive chairman of the German company, that the main theme of the sub-committee's work "has been our attempt to compare our technical performance."

As Monday's article explained, this is an immensely complicated process, thanks to the contrasting organisational structure of the two companies, and the differences between their factory layouts. This applies even to a comparison of such apparently simple matters as the quality of raw materials, their melt rates, the thermal efficiency of the plants, and production yields.

As a result, it was only last summer that analysis began of overall production costs. Until these are agreed most comparisons of the two sides' production efficiencies will remain impressionistic and subject to interpretation.

The same applies to much of the work of the Safety Glass sub-committee, where Geoffrey Iley, its chairman, admits that Flachglas has been more effective than Pilkington at using numerically-controlled machine tools from outside suppliers.

On the other hand, he claims that in other respects the efficiency of Flachglas's safety glass manufacturing is "not markedly better" than that of his own company, Triplex. This obviously applies only to factories where Triplex and Flachglas have comparable production lines: in laminated windcreens, for example, Triplex is just beginning to spend £33m on modernisation at its main UK plant, which will help bring productivity up to the German level.

As with flat glass, any sug-

gestion of potential rationalisation of safety glass supply between the two companies is parried by Pilkington. Not only is it usually uneconomic to transport glass over long distances—particularly across water—but in safety glass Iley points to the advantage of close relations between supplier and customer. Thus while Pilkington's 2 per cent share of the German safety glass market consists largely of sales to BMW, Daimler-Benz, Audi and VW.

The only really sensitive decision that the sub-committee has had to make so far was whether Flachglas or Pilkington's Finnish subsidiary should benefit from VW's decision to start using laminated as well as toughened glass on the German market. The Finnish company had previously supplied VW with laminated windcreens for its export markets, and would have liked to capture some of its new German business too, but a telephone call between Flachglas's marketing director and his Pilkington safety glass counterpart settled the matter largely in Flachglas's favour.

The Marketing sub-committee deals mainly with flat glass and has had few substantive decisions to take. This is partly thanks to the fact that the international glass industry's traditional "market leadership" concept, now splintered, if not shattered, by the force of international competition, has kept two companies out of each other's home market. The strength of German demand also discouraged Flachglas from following Pilkington's lead into world markets.

The West German cartel office's insistence that existing competition between the two companies should be maintained has proved to be less problematic than expected. In the current state of the market an agreement not to compete with each other would not necessarily mean the business would go to the partner company; instead, it might end up in a competitor's pocket.

All the same, the subject of both sides to endow their party competition has inevitably made relations between their marketing specialists rather tense. "We are working towards a common philosophy, but it would all have been easier if times had been better," says Bob Jones, marketing director of Pilkington's Flat Glass Division.

Among the delaying factors has been the usual complexities of measurement—in this case of how much effort each side is putting into various research, development and engineering projects. Syd Robinson, Pilkington's research and development chief, calls this "measuring the state-of-the-art" in both companies.

One of the findings is a welcome one that, in the marketplace, there is relatively little overlap between the two companies. Over half Flachglas's research and development is geared towards particular products, whereas over two-thirds of Pilkington's is directed at basic manufacturing technology.

But an equally significant part of the work of Robinson's sub-committee has been the drafting of a legal agreement for the exchange of technical know-how between the two sides. Like much of the work of the finance sub-committee, this has been made necessary by the fact that Flachglas is not a wholly-owned subsidiary.

Just as Flachglas's minority shareholders might have objected if its glass coating technology, for example, was transferred free of charge to St. Helens, so Pilkington was loath to hand over all its flat glass technology for free—not to speak of its heavy investment in fibre optics and other electro-optical technology. So Pilkington has insisted on some form of payments contract.

Some Flachglas executives claim a "technical assistance" agreement is unnecessary and agree that their own technology is sufficiently strong to justify an "open door" exchange. On the other hand, Pilkington argues that the German company's R and D spend would have to be raised to make it proportionately equal to its own.

A form of cross-licensing was discussed, but the two sides have now devised a formulae which will "balance" the two companies' contributions to R and D. Before it can take effect, however, it must be approved by both sides' auditors and tax authorities, not to speak of the Flachglas supervisory board. Only then will the two companies be able to start organising a joint R and D programme.

## Rescheduling—bankers' jargon for broke?

The Economist's annual International Banking Survey, just out, takes as its central theme the growth of the relatively modern phenomenon of country debt rescheduling and looks at some of the implications.

First, for the relationships between banks, central banks and their governments. Rescheduling undoubtedly puts a strain on the delicate balance between them. The result of this may be for banks to become more politicised. The survey will look at whether, and how, this can be avoided.

**What are the lessons of history?** Experience with rescheduling countries' external debts over the past two decades—an accelerating phenomenon—is examined.

**Case histories.** How have countries like Poland, Brazil, Iran and Rumania coped with their foreign debt crises? More to the point—how have the banks coped?

**What are the actual mechanics of rescheduling?** How much do banks hide behind the skirts of their own governments—often doing their own rescheduling in the "Paris Club"? Cannot the process be made more efficient and less exhausting for all participants?

**Risk.** Have the banks learnt how to spot high-risk country borrowers? Have they got the nous and nose to judge country risk?

**International agencies.** Is the role of the IMF in rescheduling bank debts too great or too small? Should there be more World Bank co-financing?

**Accounting.** The implications of doubtful rescheduled debts on the balance sheets of banks around the world are substantial. How are provisions for such eventualities made?

**The future of the Euromarkets.** Will recent events in Poland and elsewhere make bankers more nervous about international lending? Will this bring about even more rescheduling?

Copies of this important issue of *The Economist* are available at newsstands now—make sure you get your copy.

The Economist

## Management abstracts

What are "business ethics"? P. F. Drucker in *Across the Board* (U.S.), Oct 81. Argues that business ethics do not reflect general ethical values; with a wealth of historical detail and modern parallels, develops concepts of "ethics of organisation."

Global competitive pressures and host-country demands. V. L. Doz + others in *California Management Review* (U.S.), Spring 81. Looks at host-country pressures on multinational corporations and demonstrates how a local strategy which runs counter to an MNC's overall policy may have to be followed; gives examples of how unnamed MNCs leave decision making sufficiently flexible to cope with changing emphasis between local and global issues in particular countries.

The use of scenarios in planning. H. E. Klein + R. E. Linneman in *Long Range Planning* (UK), Oct 81. Examines the use of multiple scenario analysis in corporate planning in U.S.; reports that companies have rejected formal methods of scenario-generation on the grounds that they are too complex and time-consuming.

Product quality—a prescription for the West. J. M. Juran in *EOQC Quality* (Switzerland), No 3/81. Traces strides made in product quality in Japanese indus-

try, and contends that the emphasis on training (at all levels) and top management commitment must be emulated by Western companies; proposes actions for implementing quality control changes, and warns against "pseudo-solutions," e.g. attempting to defeat competition by legislation rather than in the market-place.

These abstracts are condensed from the abstracting journals published by *Abstracts in Management*. Photocopies of the original articles may be obtained at £2.50 each (including VAT and p+p; cash with order) from Anbar, PO Box 23, Wembley, HA9 8DJ.

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Friday March 19 1982

# The nuclear riddle

NUCLEAR disarmament is far too serious a matter to be made the subject of purely public relations exercises. Yet that is what President Leonid Brezhnev of the Soviet Union came close to doing with his latest proposal for limiting theatre nuclear forces or intermediate range nuclear rockets in Europe.

## Conventional forces

In making this proposal, Mr Brezhnev assumed that East and West had roughly balanced forces of that kind in Europe. To arrive at that balance he threw the French and British nuclear forces into the calculation, along with the so-called Forward Based Systems, meaning aircraft capable of carrying a nuclear bomb from NATO territory to the western Soviet Union. He did not count his own aircraft with nuclear potential.

The two sides of the equation are therefore not consistent. It is a technique that the Russians have adopted on other occasions. At the Vienna talks for Mutually Balanced Force Reductions, Moscow also assumed a balance of conventional forces—a balance whose existence the West firmly denies—and proposed proportional cuts on both sides.

In the Western view in both cases—that of MBFR and of the intermediate-range missiles—the cuts proposed from Moscow would merely serve to cement Soviet superiority.

That Western argument is sustained by the fact that it is not the first time that Mr Brezhnev has based proposals on the hypothesis of a nuclear balance. He did so as long ago as 1978, yet since that time has deployed west of the Urals at least 250 and possibly 300 SS-20s.

It is therefore legitimate to conclude that his latest offer is directed principally at the European peace movement, and above all at the forthcoming congress of the West German

Social Democratic Party. A vocal minority in that party is unconditionally opposed to the deployment in Germany of Cruise and Pershing missiles. It would be idle to pretend that the West has not engaged in public relations gestures of its own. The agreed Western position for the Geneva talks is the so-called zero option. If accepted, it would forbid the deployment of the new intermediate range missiles in Western Europe and commit the Soviet Union to dismantling its equivalent land-based launchers. That commitment would apply not only in Eastern Europe but also in the Asian parts of the Soviet Union.

The zero option is unacceptable in Moscow and the West knows it. But the reason for proffering it is not merely the wish to go to Geneva with a popularly attractive maximum demand. The West wants it to apply to the area east of the Urals because the SS-20 has mobile launchers which could rapidly be shifted westward in times of acute tension. Besides, such is the range of the SS-20 that it could hit targets as far west as France and Britain from positions east of the Urals.

Mr Brezhnev's method of arriving at his hypothesis of balance in Europe lies behind the difficulties encountered at Geneva. The Soviet side wants any agreement reached to cover not only its own and the American land-based intermediate range missiles, Moscow also wants it to apply to nuclear bombers and to the British and French nuclear deterrents.

## Equally dead

That makes sense inasmuch as you are equally dead, whether hit by an American, British or French bomb. But the Soviet negotiating stance seriously complicates an already difficult issue, not least because of British and French national interests. If the Russian approach were adopted, agreement at Geneva might have to wait for the Greek calendar.

The sectoral approach chosen by the West is far from perfect. But precisely because it is limited, it holds out some hope of agreement. If it can be reached, such an agreement should then lead on to further negotiations about other nuclear weapon systems.

expected to give. He has also stopped the dialogue between the secretaries general of the two countries' foreign ministries. But he has not come up with any positive alternative policy.

It is of course Dr Papandreu's duty to assert his country's rights—and he believed that past Greek policy threatened them. It may also be that he has fostered the role of tough national leader in order to prevent attacks if he switches towards peace-making.

Admiral Uluusu's remarks hardly help, though they reveal a growing frustration in Ankara. The military regime is increasingly impatient with Western Europe's complaints over its record on human rights—complaints which Dr Leo Tindemans, the Belgian Foreign Minister, is to voice on behalf of the EEC in Ankara today. It may be tempting for the generals to consider Dr Papandreu an easier target to strike back at, but they should realise that his concerns touch a chord with many Greeks.

It is precisely because misunderstandings between the two countries are so profound that the potential role of the friends is crucial. The West's initial anxieties over Dr Papandreu's policies towards NATO and the EEC are largely stilled. But on the Aegean he has revealed how threadbare are the patches which have been covering the differences between the two putative allies.

## Military balance

As a first step the West must persuade the two to avoid the rhetoric which has been ruffling the waves. Next, it must convince both sides that their crucial interests will be protected while they sit down—as they must—to talk through their problems. This requires preserving today's military balance, which means keeping arms aid in proportion.

It also requires some Western endorsement of today's borders. The U.S. may argue that providing this endorsement is impossible as long as Athens and Ankara are at loggerheads. But it is just at such times that this endorsement is most necessary. This should fall short of any direct military commitment, but in their different ways Admiral Uluusu and Dr Papandreu have both underlined that the West cannot afford to remain aloof.

FOR THE THIRD successive year, March has proved to be a critical month for Stone-Platt Industries, the troubled engineering group. But this time the company has failed to survive.

Yesterday brought the sad end, tinged with bitterness, of a company which until quite recently was regarded as one of the brightest stars in the British engineering industry. To the last, the company has been claiming that it is capable of pulling itself round. The collapse leaves the group's bankers and large shareholders still arguing over the rights and wrongs of the decision to let the group go to the wall.

On the two previous occasions the City of London had rallied round to keep Stone-Platt on its feet. In 1980, for instance, the banks agreed to reschedule loans of some £30m after the company had belatedly discovered that attributable losses and write-offs totalling some £17m in 1979 had rendered it in breach of medium-term loan agreements.

In March last year an elaborate £50m refinancing package was agreed after losses of some £15m had put the balance sheet further into trouble. Under the very close eye of the Bank of England the clearing banks, led by Midland, agreed to continue to support the company, and investment institutions such as Equity Capital for Industry and Prudential Assurance chimed in some £10m of new equity through a rights issue.

All this was on the basis of a forecast that Stone-Platt might be able to break even for the year 1981. Yet losses have continued, and including the capital write-downs resulting from the planned sale of its key textile machinery subsidiary, Platt Saco Lowell, the group was facing total attributable losses and provisions of over £20m in drawing up its 1981 accounts.

Yesterday's recriminations were rumbling around the City over the failure of a final last-ditch proposal to save the company. The banks decided that they were not prepared to go along with a further capital reconstruction plan which involved, among other points, a second rights issue and the conversion of a part of the bank indebtedness into preference shares.

Stone-Platt was a proud engineering company with a long history. At the beginning of the century its Oldham factory employed 28,000 people.

In the 1950s the Platt Brothers textile machinery company merged with the electrical and mechanical engineering business J. Stone to form Stone-Platt, and later expansion moves included the 1973 purchase of Saco-Lowell, a sizeable U.S. textile machinery manufacturer.

In 1978 it was still a relatively large and diversified multinational group with sales approaching £200m in product lines ranging from textile machinery and railway equipment to pumps and marine propellers.

Its operations straddled a large number of countries, in-

cluding the UK, the U.S., Spain, and India. At that time its balance-sheet was sound, though profits had been coming under pressure—with a drop from £15.8m pre-tax in 1976 to £9.5m two years later.

From that point, Stone-Platt entered a remorseless three-year slide to extinction. With the benefit of hindsight it can be seen that the principal reason was a catastrophic decline in the fortunes of the UK textile machinery business, compounded by the decision of the management to sacrifice the healthy parts of the group in order to sustain this central running sore.

In just over three years, from the beginning of 1979 to February 1982, Platt Saco Lowell (PSL) recorded total net-interest trading losses of £10m. The remainder of the group, in contrast, produced overall profits of £14m.

Yesterday Mr Leslie Pincott, the one-time Exxon oil executive who was brought in as chairman to save Stone-Platt in November 1980, spelt out the plight of the Lancashire textile machinery side.

"The problem was that the UK textile industry was in decline," he said. "Few of our products had a real home market." This was in marked contrast to the company's South Carolina plant, sited in the centre of the U.S. textile industry.

The Lancashire factories were forced to rely on exports to developing countries like Taiwan and Korea. And though the quality of PSL's machinery was high, competition against the mainly German and Swiss rivals

in a declining market became cut-throat. The Accrington plant might have broken even in 1982 "given a fair wind." But the costs of investment and development were such as to require an unacceptable cash outflow.

So in the middle of February Stone-Platt signed heads of agreement for the sale of PSL to an American buyer, John D. Hollingsworth on Wheels, for £12.75m. But far from being the salvation of the rump of Stone-Platt, this was the final move which toppled the group into financial oblivion.

The reason lies in the balance sheet impact of such a sale. The book value of PSL was just over £30m. Such a disposal would therefore have required a write-down of the order of £20m which would—as a post balance sheet event—have reduced end-1981 shareholders' funds from (£1m round figures) £40m to £20m.

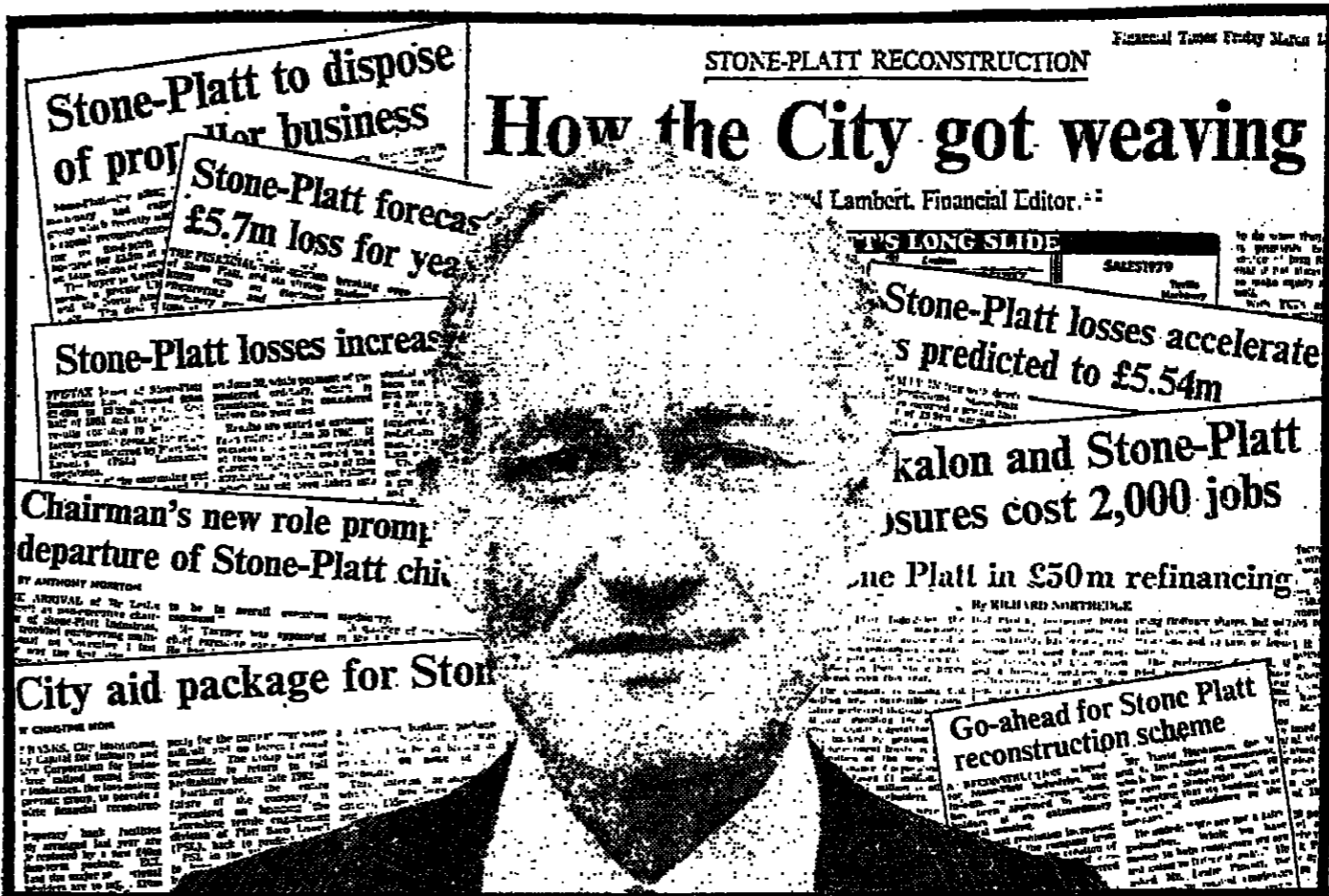
The banks, however, have imposed very strict borrowing conditions on Stone-Platt. There is a 1:1 limit on the ratio of borrowings to shareholders' funds, and a money ceiling on total bank debt of around £40m. That facility would be reduced after any substantial disposals.

At the end of 1981 Stone-Platt's borrowings appear to

## STONE-PLATT COLLAPSE

# Sad end of a bright star

By Barry Riley, Financial Editor



Stone-Platt chairman Mr Leslie Pincott: "The end of the road for a fine British engineering company."

## 'Prices were tumbling to the lowest level quoted for a spindle in living memory'

Even so a recent marketing effort had some success. Orders from countries like Korea and Indonesia boosted the level of outstanding business to a reasonable level, allowing the Accrington factory to go back on to full-time working.

But the costs of this reorganisation programme were enormous. Below the line write-offs of some £23m have been incurred, and profitable businesses such as the pumps side were sold off to keep down indebtedness.

At the end of it all, the Stone-Platt board was forced to the conclusion that it could no longer justify keeping PSL in operation even in its drastically

slimmed-down form. According to Mr Pincott the Accrington plant might have broken even in 1982 "given a fair wind." But the costs of investment and development were such as to require an unacceptable cash outflow.

So in the middle of February Stone-Platt signed heads of agreement for the sale of PSL to an American buyer, John D. Hollingsworth on Wheels, for £12.75m. But far from being the salvation of the rump of Stone-Platt, this was the final move which toppled the group into financial oblivion.

The reason lies in the balance

have been some £30m, but have since risen to £34m and the bank were fearing that the total would reach—and perhaps exceed—£40m next month.

Further small closures were scheduled, involving more write-downs and provisions, and the clearing banks—which are again being led by Midland—considered that Stone-Platt's shareholders' funds were likely to fall to around £15m.

The clearer came to the conclusion that this capital base would be unacceptably small for a company which would still have needed facilities of approaching £30m. And this figure does not take into account ancillary facilities of perhaps £20m in respect of foreign exchange and export bonding.

This explains the company's last desperate search for assistance from its major institutional shareholders. These are Equity Capital for Industry (owned by insurance companies and pension funds) and Finance Corporation for Industry (owned by the banks) together with two individual institutions, Prudential Assurance and the unit trust group M and G.

A capital reconstruction was proposed which involved the writing down of the interests of the existing Ordinary shareholders, the conversion of the existing Preferred Ordinary into Ordinary, and a rights issue of Ordinary shares.

The banks were requested to convert bank indebtedness into Preference capital to the same amount as would be raised by the rights issue. They were also asked for £30m of direct bor-

rowing facilities and £20m of ancillary facilities.

According to Stone-Platt statement yesterday the institutional shareholders "agreed in principle to enter into further commitments and expressed their willingness further to assist the group."

The banks, however, seem to have been sceptical of the value of such an assurance. The money would not actually have been put up until next August, and in the meantime the banks would have been bearing the risk of any further worsening in Stone-Platt's trading and cash position. For instance, important orders at the group's Essex Scraps subsidiary have been deferred until the autumn.

A suggestion by the banks that the institutions should set up unsecured debt capital immediately does not appear to have met an enthusiastic response.

A year ago the banks and institutions co-operated successfully in a rescue package of a kind which previously was almost unknown. It was one of a series of rescue packages in the same time involving companies such as Weir Group, BPC and Dupont.

Now, however, there is an air of bitterness as the banks and the long-term institutions seek to avoid the blame for finally bankrupting Stone-Platt.

Mr Pincott, who in 1980 more than a year has presided over a fall in the number of separate plant locations from 52 to 20, and a drop in the number of employees from 14,000 to less than 7,000, in the group's quest for viability, was fighting back tears yesterday as he described his reactions to Stone-Platt's final collapse. "I understand the banks' point of view," he said. "But it was an enormous shock to the Board and the senior management to hear that the banks have not felt able to accept to the company's plans. I thought we could see the light at the end of the tunnel."

He expressed his concern about a system which could allow a group like Stone-Platt to fail. Support was channelled to small companies and big multinationals. "Medium-sized companies have to fend for themselves," he observed.

In fact the placing of Stone-Platt into receivership could be seen as no more than the final stage of a process of orderly run-down and liquidation which has been proceeding for three years.

The receiver will hope to complete the sale of PSL to the American buyer, and strong interest is expected in the railway equipment operations, which only on Wednesday night secured a £5m order from the New York subway, and altogether boast a £58m order book.

Some of the parts will live on, but Stone-Platt is dead. In the words of Mr Pincott yesterday: "It's the end of the road for a fine British engineering company."

## Men & Matters

### Digging deep

As you might expect from a mining company, I suppose, Lonrho South Africa usually keeps its head well below ground. But signs of ructions in the boardroom have been surfacing these past few days.

Staff of the Johannesburg company—one of the group's biggest profit contributors—got the first glimpse of trouble in a circular from chief executive Syd Newman. This informed them that he had "proceeded to retirement" the previous day "and therefore ceased to be chief executive."

"Not even giving us time to buy him a clock," as one staffman put it. But his concern was short-lived. A second memo from Newman the next day told his bewildered employees that Syd Newman had refused to let him go and "has instructed me to remain as chief executive in South Africa and as chairman and managing director with a clear mandate."



"I suppose you could call it a simulated prosecution?"

Local Lonrhoists who have been digging into the affair reckon that Newman was piqued by the appointment earlier this month of his deputy, Tony Lee, to the group's main board in London, an accolade not yet awarded to Newman.

Rumour at the time had it that Lee was to be used to remove the outspoken Newman from his position in the company.

Rowland's blessing should come as a relief, then, to the former Rhodes Scholar and Barbarians and England Rugby player. For he has other troubles at the moment.

Earlier this year, Skyways Sappo, a suitcase manufacturing company of which he is a director, was put into liquidation with assets of £1.2m (£645,000) and liabilities of £2m (£1.1m).

### Papal bill

The vicissitudes of the secular world are making themselves felt in the rarified spiritual climes of the Vatican.

The Pope, I hear, is getting well into the red, and the Holy See's workers are giving him a labour headache.

Luckily, contributions from the faithful around the world have covered the Vatican's undisclosed—but huge—debts until now. But the ravages of Italy's 20 per cent inflation rate combined with an expansion of church activities, mean that the Holy See faces a record deficit of £36bn (£17.6m) this year.

That announcement was made by a recent special meeting of Cardinals, who discussed ways of restoring the Vatican to financial health. Meanwhile, 1,630 Vatican employees are threatening to strike unless they get higher pay and better fringe benefits. The Pope has said that he hopes the dispute can be settled

by "mutual and equitable understanding."

### Taylor made

What are we to make of the latest musical chairs at the top of Manufacturers Hanover, America's fourth largest bank? Has Yorkshire's Harry Taylor won the battle for the number two job?

When John McGillicuddy took over as Manny Hanover's chairman three years ago, he took the title of president with him and designated the two contenders for the post—John Torelli and Harry Taylor—vice-chairmen. Ever since then, there has been speculation about who would eventually take over as president.

McGillicuddy appears to have ducked the issue, by appointing Taylor to the job of president of Manufacturers Hanover Corporation and Torelli to the presidency of Manufacturers Hanover Trust company. The two men will have "co-existent responsibility" in the general management of the corporation and the trust company.

That said, seasoned "Manny Hanover" watchers believe that our lad from Guiseborough has the marginally senior position, being president of the quoted public company. However, Torelli supporters note that their man is 10 years younger than Taylor, and can look forward to the inheritance when McGillicuddy retires.

### Numbers game

The Treasury is gathering more economists to its fold than ever, according to the latest figures on the professional financial biffins the Government employs.

With 65 out of 379—obviously some departments employ the proverbial one-handed economist described by the late Dr Schumacher—the

Treasury has restored its supremacy as top employer of economists over spending ministries.

It fell behind 10 years ago, when there were only 54 in Great George Street, compared with 84 in the mammoth spenders of Environment / Transport. Now the latter have to manage with 56.

Other major destinations for economists are the Department of Employment and the Manpower Services Commission with 21 and 15 respectively.

The Government's rather confused policy on mergers and monopolies may be attributable to the fact that the Monopolies Commission has boosted its economic staff from nil to nine.

An even more sobering moral may be drawn from the fact that the number of government economists has increased by 51 per cent from 250 during the past decade, while gross domestic product has risen by less than 15 per cent over the same period.

### Jail bird

A court in Michigan is in a curious dilemma—it can't make up its mind whether to send Ricardo Ellington to a prison for men or for women.

This is because Ricardo—who prefers to be called Raquel—is half way through a series of sex change operations which have left him or her female above the waist and male below. Ellington's lawyer wants his client, who admitted possessing stolen women's clothing and obstructing a police officer by disguise, when dressed as a woman, sent to a women's prison. But the judge says he can find no legal guidelines to help him decide. An authority on gender identification from the Mayo Clinic in Rochester has now been called in to testify.

Observer

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## POLITICS TODAY

## If the SDP were a restaurant...

By Malcolm Rutherford

"IF YOU could imagine the Social Democrats going on holiday, where would they go?"

The answer used to be Venice, but the slightly bad news for the SDP is that nowadays the answer tends to be Cornwall. Both are uplifting, splendid places, "morally sound" in their different ways. Yet there has been a change of image. Going to Venice is associated with success. Cornwall is associated with honours, failure, with the Liberal Party, almost.

Some findings on why people flock to the SDP at the start are being presented to the annual conference of the Market Research Society in Brighton—definitely not an SDP sort of place—this morning. There is also some explanation of why support has recently been falling away.

The work has been done by Cooper Research and Marketing (CRAM), which decided, on its own initiative, to apply some of its market and consumer research techniques to politics.

By any standards, the techniques are unusual. They rely heavily on psychology and getting people together for four hours at a stretch in what are known as Extended Creativity Groups (ECGs). A group consists of about eight to 10 people who are first asked to express their views and feelings by drawings. They are also asked to respond to questions by the use of analogies and metaphors. Then they start talking.

When applied to politics, the principle is to transform each party into something else in order to get at its inner properties. Here are a few examples. "Suppose the SDP is a restaurant. What food would it serve? What would the service be like?" "If the Labour Party is a bed, what would it be like to sleep on?" "What would the Conservative Party be as a texture?"

The list could be extended indefinitely, almost like a party game. But the point is that people know how to play it and they understand the implications. A woman in North London insisted that she had always voted Labour and always would, but she wouldn't draw it. It emerged that she feared that if she put the felt-

tip to paper something bad would come out in what she really thought about her party. She wanted to suppress it.

So much for the general approach. CRAM began its research last year when the SDP was riding ever higher. It concentrated on St Pancras North, Camden and Croydon North-West which elected the first SDP-Liberal Alliance candidate to Parliament in Mr Bill Pitt.

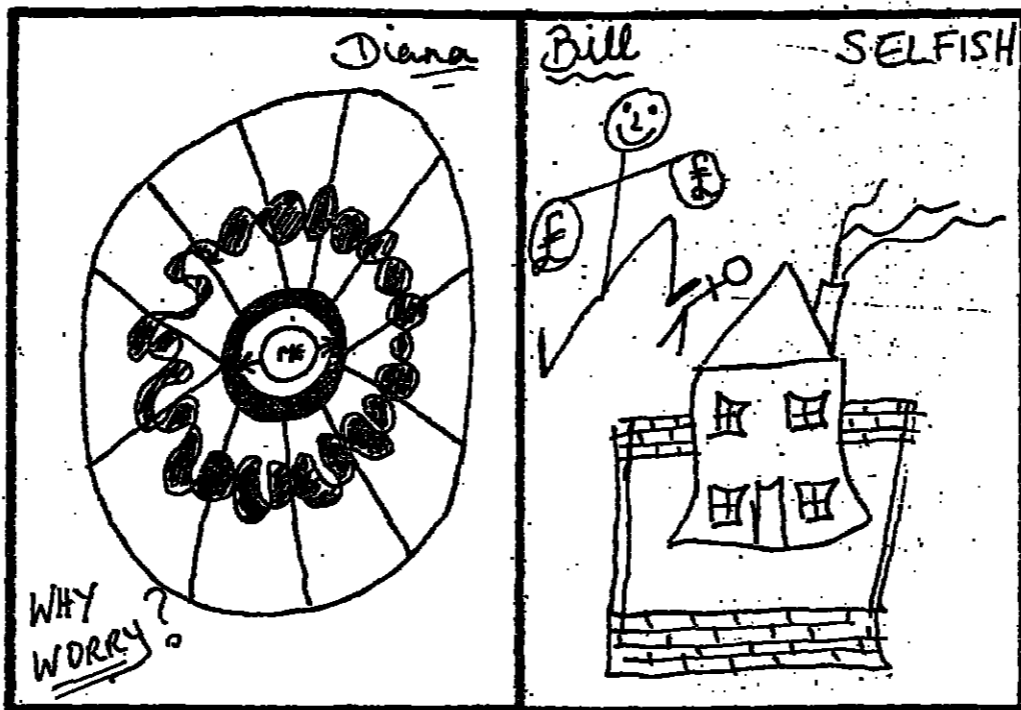
The sample was confined to people who had voted for an Alliance candidate in a local or parliamentary by-election. There was a mixture of past voting records, and party activists were excluded. The socio-economic grouping was C1-C2, which means, broadly, lower managerial and skilled manual workers who form about 60 per cent of the electorate. In other words, they are the people that have to be won by any party seeking power.

The aim was to diagnose why people think as they do about politics rather than to make predictions. But the findings have a certain predictive value. They indicate that unless the SDP leadership can regain momentum—and the fate of Mr Roy Jenkins in the by-election in Glasgow, Hillhead next week is a case in point—they are in danger of losing some of their original support.

At the start, there was a kind of SDP fever. Much of the support, however, was emotional, a kind of moral uplift. But there was also a feeling of embarrassment, even of guilt, at deserting the established parties and at seeing politics in such idealistic terms when the tendency over the years had been to become cynical about what politics had to offer.

The initial images of the SDP were that it serves plain cooking, is wholesome, is good at team games, shops at Safeways but is "more choice than Sainsbury's". It was seen as rather less "healthy" than the Liberals, but in the same mould.

It was under that same group of questions that people were responding when they thought the SDP members would like to take a holiday in Venice, but have now switched to Cornwall.



Illustrative "psychodrawings." Respondents are asked to draw their feelings about the world and themselves. The theory is that, expressing themselves non-verbally, they can avoid language constraints. They explain what they are trying to say later.

It has also emerged that SDP supporters are a strange mixture of idealists and depressives. Some think that the arrival of the new politics is a natural development which will lead on to power; others see it as a sort of substitute for religion; and yet others believe in their hearts, if not in their heads, that it will go the way of Liberal revivals in the past.

Group members were asked to write an SDP obituary. Here is a depressive reaction: "RIP the SDP—which tried hard but achieved little. It offered solace and optimism, which will be remembered but soon forgotten. They were just too nice."

Here is someone who thinks of him or herself as a realist: "The SDP failed through the recruitment of the Labour Party to think of people instead of itself and the Conservatives to see the danger."

And here is the religious fervour. One member of a group refused to write any

obituary at all, saying simply: "I believe... I BELIEVE."

The guilty element came out in expressions of betrayal of the party which people had previously voted for, whether Tory or Labour. These participants talked about "returning to the fold" at the next general election.

There also appears to be a divide among SDP supporters between those who think that it is a virtue that their party should have very few specific policies and those who want policies on particular issues. Apart from the fact that specific policies give rise to potential disagreements among the wide-ranging body of supporters, the CRAM research notes that some of them "strenuously reject policies as the language of the SDP. Policies are felt to take the movement away from the hands and mouths of politicians."

The conclusion must be that while support for the SDP is widespread—regionally, psycho-

logically and socially—there is as yet no homogeneous base. The sentiment can drift very quickly, and the attachment to the old parties takes a long time to die.

So where does the SDP go from here? Obviously much depends on Mr Jenkins and Hillhead. But Scotland is a special case. It already has its own third party in the Scottish Nationalists. If Mr Jenkins loses, it will be a setback, but not necessarily a fatal blow.

One of the SDP's problems is that the party became used to living at fever pitch. The Gallup Poll in the Daily Telegraph last December gave the Alliance just over 50 per cent of the national vote. The same poll yesterday put them back at 33 per cent.

But 33 per cent is still very high. The Alliance could still flourish at that sort of temperature. Yet, having initially taken support from a very broad base, the leadership will now have to say rather more about what sort of party the SDP is meant

to be and what is the future of the Alliance.

The other political contribution to the Market Research Conference came from Mr Robert Worcester of Market and Opinion Research International (MORI). One of the first political polls in Britain, he said, had taken place just before the war. The question was whether people were satisfied with Mr Neville Chamberlain as Prime Minister. As many as 57 per cent said "yes." That was in October 1938. The satisfaction rate with Mrs Thatcher in this week's Gallup Poll was 34 per cent, and as low as 25 per cent last December.

There is a fierce argument going on about the merits of polling by telephone as happens in the U.S. and is now being practised in Hillhead. In Britain it still seems to be risky because of the relatively low level of telephone penetration—that is, the number of households with a telephone.

Mr Worcester produced figures to show that in Croydon North-West, penetration was 88 per cent, but in Warrington—where Mr Jenkins failed to win a by-election—only 61 per cent. Telephone owners tend to be Tory or, if not, Social Democrat—Liberal. A telephone poll in Warrington would have suggested that Mr Jenkins was winning hands down.

According to British Telecom, the figure for national penetration is now 75 per cent. The figure for Hillhead is 77 per cent. So maybe the telephone polls which first began to suggest that Mr Jenkins is in trouble are more accurate than usual. We shall see next week.

Meanwhile, that assumption about telephone-owners not being Labour tells one a great deal about the relationship between class and politics in this country. So do the CRAM findings about people thinking of "returning to the fold."

The old politics are breaking down, but there is an awful lot of residual resistance.

There is the old Liberal theory—before the Alliance—of "three steps forward, two steps back. We shall get there in the end." It is very much in the mind this week.

## Lombard

## West Germans and detente

By Stewart Fleming in Frankfurt

SOME 800 West German companies are displaying their wares at the Leipzig Fair, the East European Communist bloc's annual East-West trade jamboree. At the same time the U.S. is telling its European allies that the time has come to tighten the economic thumb-screws on the Soviet empire by another notch through "hard currency diplomacy"—curbing the flow of Western credit to the East.

Much more than money, trade and jobs lies behind this contradiction, although it is often in these terms that American commentators tend to characterise the reluctance of Germans to share U.S. enthusiasm for economic sanctions against the Soviet Union. The key factor is the changed and changing attitude to the East-West divide of the West German people.

It is painfully clear—and the strength of the peace movement in West Germany is one item of supporting evidence—that the burdens which a new cold war would place on this people would not be so readily accepted as they were 20 years ago.

On the contrary a return to cold war would deepen divisions between different segments of German society at a time when there is already a growing crisis of confidence in West Germany's political leadership, embracing not just the Government but also the trade unions and other institutional structures.

While Americans, living 3,000 miles away, may feel that the process of detente can be turned on or off like a tap, in Germany some of the changes wrought by detente are reversible only at a very high price. West Germans have become accustomed to living with a more relaxed atmosphere along the East German border, a border which for millions is no more than a few dozen miles away. They have been accustomed to visiting their relatives across that border, relatives who are Germans too and not as some Americans would like to think, first and foremost "Communists."

Indeed many Germans, young and middle-aged, speak today of a growing sense of cultural identity with East Germany. It is against this background of a search for national identity in West Germany that the Reagan Administration must formulate its policy in relation to East Europe. This policy must now embrace more than the old "detente" argument of whether a stick or a carrot is likely to produce the changes in Communist societies which the West would like to see.

## Letters to the Editor

## The notorious injustice of taxing capital losses

From Mr D. Kidd

Sir, I agree with Mr S. Dow (March 11) in criticising the Chancellor for his half-hearted measures to remedy the notorious injustice of taxing as capital gains the capital losses caused by the policies of monetary debasement pursued by successive governments.

For those who find it literally "intolerable" to be permanently condemned to pay tax on gains that are apparent but not real (the Chancellor's words) some satisfaction may be obtained by challenging the Revenue's claim to assess tax on unreal gains. One public-spirited taxpayer took this step some time ago and failed in the High Court on what were essentially the technical minutiae of the relevant provisions governing the computation of gains for tax purposes but since that case the House of Lords has had to consider the approach to the general question as to how gains and losses are to be computed. Lord Wilberforce has stated (in *Abu Dhabi Construction Group Limited v. IRC*, referred to with approval in the *Ramsay/Rawlings* cases): "The capital gains tax is of comparatively recent origin. The legislation imposing it, mainly the Finance Act 1965, is necessarily complicated, and the detailed provisions, as they affect this or any other case, must of course be looked at with care. But a guiding principle must underlie any interpretation of the Act, namely, that its purpose is to tax capital gains and to make allowances for capital losses, each of which ought to be arrived at on normal business principles. No doubt anomalies may occur, but in straightforward situations the courts should hesitate before accepting results which are paradoxical and contrary to business sense. To paraphrase a famous cliché, the capital

gains tax is a tax on gains; it is not the interest receipts on non-indexed debt whereas he can now buy an index-linked gilt and not be taxed on the capital increases.

I find it interesting to note that the Revenue's attitude to index-linked purchased life annuities is curiously at variance with its treatment of indexed debt, for up to now it has ruled that the indexed increase in annuity payments should be treated as interest for tax purposes. Such anomalies must surely be challenged now that the Budget has moved us one step towards indexing the tax system. Unfortunately there are still several more steps to be taken before the tax system as it affects both corporations and individuals, can be correctly adjusted for inflation.

Alex D. Sheddin.

P.O. Box No 63,

3 George Street,

Edinburgh.

From Mr A. Sheddin

Sir, In his Budget article (March 11) Samuel Brittan states: "The indexation of capital gains tax has removed one bar to indexed corporate bonds. The remaining obstacle is that corporation tax is levied quite unreasonably on the indexation element in capital repayments." If by this Mr Brittan means that the increases in capital repayments cannot be set off against taxable profits what is unreasonable about that? Rather, is it not unreasonable that a corporate borrower can obtain tax relief on the whole of the interest payments under non-indexed bonds even though, at current inflation-induced rates, the major part of the interest is to compensate for reduction of capital in real terms? The lender's position is correspondingly unreasonable, for he

must pay tax on the whole of the interest receipts on non-indexed debt whereas he can now buy an index-linked gilt and not be taxed on the capital increases.

I find it interesting to note that the Revenue's attitude to index-linked purchased life annuities is curiously at variance with its treatment of indexed debt, for up to now it has ruled that the indexed increase in annuity payments should be treated as interest for tax purposes. Such anomalies must surely be challenged now that the Budget has moved us one step towards indexing the tax system. Unfortunately there are still several more steps to be taken before the tax system as it affects both corporations and individuals, can be correctly adjusted for inflation.

Alex D. Sheddin.

P.O. Box No 63,

3 George Street,

Edinburgh.

From Mr D. Lindsay

Sir, As Rosemary Burr pointed out (March 13) children with wealthy enough grandparents can benefit to the extent of over £1 per week from the budget changes, in addition to the 60p increase in child benefit.

When will we have a Chancellor who will rid us of this scandalous anomaly and either (if he is a Socialist) use the resultant savings to increase child benefit or (if he is a Conservative) apply the saving where it is most needed, namely, in part, in increasing supplementary benefit to families at the lower end of the income scale and, in part, in restoring tax justice to tax-paying families by bringing back the child tax allowance?

David G. Lindsay.

36, Orchard Coombe,

Whitchurch Hill, Reading.

has a different interpretation of "K" to the one I hold. I have always thought that "K" came from the world of mathematics and computers and stood for 2 to the power 10 i.e. 1024.

If I am right, the holder of the job with a "15K" salary should be entitled not to £15,000 but £15,860 and surely any Chancellor of the Exchequer would use "K" in his financial estimates, having a greater need of obfuscation than most others!

R. C. Bullen.

29 Wood Ride,

Pettis Wood,

Orpington, Kent.

## A political strategy

From Mr P. Wright

Sir, As Mr Brittan (March 11) retreats further and further into the pre-Keynesian past, it becomes clearer, and clearer that the monetarist cure for inflation is no more than a guise for creating the conditions under which the self-regulating mechanisms of the capitalist system can come to the fore and bring about a reduction in the real wage, redistributing income in favour of capital.

In the best of all monetarist worlds where competitive markets reign supreme and expectations about the future rate of inflation immediately adjust downwards in line with a contraction in the money supply, the real wage will remain the same (the familiar Keynesian point) and the only pricing into jobs will occur with respect to international competition (assuming that the competition is not also enjoying the best of all monetarist worlds).

While under these circumstances the battle against inflation would have been won in true monetarist fashion, this would clearly not be enough for Mr Brittan or the Government because the real wage would not have been reduced. In other words, the real concern is to reduce the rate of inflation while resolving the conflict over the distribution of income decisively in favour of one of the main protagonists (the minority who make investment decisions which affect us all).

A monetarist strategy has therefore been used to provide both the means of achieving a reduction in the real wage and ammunition for right-wing intellectuals and commentators to argue the case for such a reduction on behalf of those who require it. It was patently obvious when the Government came to power that expectations would not adjust downwards fast enough to be in line with attempts to control the growth of the money supply and that, therefore, according to the tenets of monetarist theory, there would be a short-term (sic) trade-off between wages and output/employment. So, we have a level of unemployment which is higher than it otherwise would have been, exerting downward pressure on the real wage, and Mr Brittan is able to argue that wages are too high.

Monetarism clearly remains more of a political than an economic strategy.

Philip Wright.

University of Sheffield,

Broomspring House,

85, Wilkins Street, Sheffield.

## Which came first?

It may not have escaped your notice that our parent company is the foremost manufacturer of rolling bearings in the world.

The reason that SKF was founded in Sweden back in 1907 was that imported bearings weren't up to scratch.

Partly because of unreliable raw materials. So SKF set out to make Swedish bearings from Swedish steel, long recognised as the very best available.

And, wishing to have total control over every stage of production, the logical thing to happen was for SKF to acquire its own steelmaking capability.

Which is how the SKF Steel Division came into being. Over the years it has gradually refined its techniques, resulting in the extremely sophisticated SKFM process which produces only

the very purest steels.

Those special steels are used in the manufacture of SKF bearings. But that's the smaller part of total output. For it was realised long ago that very many other industries need materials with exactly the same inbuilt cost saving qualities. Such as higher strength, better machinability and greater dimensional consistency.

So a worldwide network of SKF Steel subsidiaries was established. Including a major investment in our Service Centre facilities right here in the U.K. From which we are also supplying

**SKF Steel Ltd**  
The Special Steel Specialist.

Neachells Lane, Wednesfield, Wolverhampton,  
West Midlands WV11 3QF  
Telephone: 0902 737437 Telex: 336733

quality British steel products to our customers and our overseas sister companies.

If you're a steel user—especially of the 'special' grades—then we're sure we can offer you, superior products with service to match. Particularly as our recent move to the West Midlands has more than doubled our stockholding capacity.

Write or phone today and we'll be happy to show you why our existing customers reckon we've got a great deal to crow about.



## Travelling light

From the Technical Editor,

Modern Railways.

Sir, Had Mr A. J. Lucking (March 13) checked his facts he could have saved himself the effort of wondering about railway passenger coaches. Far from weighing three tonnes per passenger, the British Rail Mk 3 coach can carry 80 passengers for a weight of 33 tonnes—less than half a tonne per passenger despite carrying around two

flush toilets and luggage storage space. Certainly this is heavy compared with a road coach, but the railway vehicle has to meet severe collision loading speci-

cations. As for Mr Lucking's "tortured squealing noises en route"—has he travelled in a high-speed train lately? After five years of 125 mph operation on British Rail the indications are that it is the heavy axle-load freight train which is the determinant of track wear not the passenger train.

Roger Ford.

8 Russellcroft Road,

Walsay Garden City,

Herts.

Powerful K

factors

From Mr R. Bullen.

Sir, Mr Griffin (March 16)

## Companies and Markets

## UK COMPANY NEWS

## GKN's profits increase to £34.6m

A PRE-TAX profit of £28.2m in the second half of 1981, compared with a loss of £37.4m in the same period of 1980, enabled Guest Keen and Nettleton to produce a full-year surplus, before tax, of £34.6m, against a deficit of £1.2m previously.

At half time, the group returned a taxable profit of £34.6m (£36.2m) which was after charging £1.7m redundancy costs. The directors said that the results would reflect the benefits flowing from the actions taken in the UK during 1980 and on a reduced scale in 1981, together with the continuing strength of GKN's overseas side.

Following the unchanged interim dividend of 4p net, the group is maintaining the final at 4p for a total of 8p (same) per £1 share.

The directors say that the current economic and market trends do not yet provide a firm base for optimism about 1982. The recession is not over and much capacity remains under utilised.

However, the work of restructuring GKN will continue. The achievements of the past two years provide positive evidence of the group's ability to react to difficult and rapidly changing circumstances, they state.

Turnover for the year showed a slight fall from £1,920m to £1,850m, but trading surplus—after charging depreciation—of £55.9m (£47.8m) increased by £31.7m to £44.2m.

Interest payable rose from £47.6m to £55.2m, while redundancy costs on going activities total £11.7m (£35.2m). Investment income and interest receivable improved from £2.6m to £3.3m, while share of associates profits was down £3.1m to £4m.

## HIGHLIGHTS

Lex reviews the crash of Stone-Platt where a receiver was appointed yesterday morning after several days of rumors that the company was in serious trouble. The column then moves on to comment on the full-year figures from Guest Keen and Nettleton showing a continuation of the recovery after the losses suffered in 1980. Lex then briefly looks at the full February money supply figures which show £2bn of bank lending but no change in sterling interest rates. Elsewhere it was another busy day for company results with Steeley announcing slightly lower full-year profits at £17.3m, along with the news that it is selling its Australian chemical business to Harrissons and Crossfield.

Tax charge decreased from £23.3m to £27.5m, and after debiting minorities of £8.5m (£8.6m) the group's earnings for the year were £0.6m, compared with losses of £40.1m.

There were also extraordinary debits of £24.9m (£49.8m) of which redundancy costs in discontinued activities accounted for £9.3m (£21.8m).

The directors say that generally, economic and market conditions have been no assistance during the year and the automotive and construction markets in particular remained depressed. In the UK the recession of the cycle was probably reached in the second quarter but subsequent months showed very little improvement in demand.

Reorganisation of the group's UK activities has continued and there was a further reduction in the work force of some 14,000. Of these, almost 4,000 were employees of companies now part of Allied Steel and Wire and just under 10,000 were redundancies, of which some 5,000 had already been provided for in the accounts for 1980.

Overall results of group companies outside the UK improved.

Those in Europe, mainly linked to the automotive industry were lower, but in North America, Asia and South Africa trading surpluses increased substantially.

Sales in the U.S. grew significantly with the bringing into production of new factories in North Carolina and the progressive development of automotive accessories and replacement parts distribution.

Capital expenditure in 1981 was £84m, of which £43m was in the UK.

Despite the substantial sums which have been absorbed in retrenchment—£37m (£75m)—and in the development of on-going businesses, there was a positive cash flow and total borrowing was contained, reflecting stringent control of working capital and increased operating efficiencies.

In current cost terms, the 1981 pre-tax profit was £7m (£24m less).

Sir Trevor Holdsworth, the chairman, said yesterday that given the current level of demand it was "not unreasonable" to expect the results for the first half of 1982 to be similar to those of the second

half of last year.

Although 1981 figures showed a turn round from losses, Sir Trevor said it is still an uncertain overall result and that is what we are putting right.

Over the past two years GKN's UK work force had come down from 89,000 to 42,000—a reduction which on a crude calculation represented an annual saving of some £140m.

Sir Trevor admitted there would probably be some more redundancies this year, but said it was very unlikely they would be on the scale seen in 1981. To date this year the group had announced just over 800 redundancies.

GKN was projecting capital spending of between £50m and £100m for this year—about the same as 1981.

The split was expected to be roughly 50-50 home and abroad, although the completion of some existing programmes could see the balance slightly more in favour of overseas.

Helping profits last year was an exchange rate estimate of £2m and £3m at the pre-tax level.

The group's UK autotrans business was still losing money, but the chairman said that GKN had no other major loss-making areas at present.

Although the group was still waiting to see firm signs of a UK upturn, Sir Trevor emphasised it would not need an enormous growth in the UK economy to achieve a "considerable improvement" in its results.

Target for the UK operations was a return of 10 per cent on sales, and 20 per cent on assets.

GKN, a big contributor to Tory party funds, made an unchanged payment last year of £15,000.

See Lex

## Supra well ahead in second half

A SUBSTANTIAL improvement in results was predicted for the full year at Supra Group last September and second-half profits in November 30 1981 have pulled ahead from £162,000 to £385,000.

Taxable profits for the 12 months for this manufacturer of motor components, noise control products, and paints improved by £233,810 to £587,727.

Turnover for the first quarter of 1982 is running ahead of the same period last year, say the directors, and they expect this trend will continue for the full financial year. Turnover for the 12 months under review was similar at £9.88m, compared with £9.52m. UK turnover was £1.1m against £1.33m.

The final dividend has been held at 1.5p which repeats the total at 2p. Earnings per ordinary 10p share are shown to have risen from 2.14p to 3.84p. A scrip issue of one-for-ten is proposed.

The directors say that strict control will continue to be exercised over group affairs, but advantage will be taken of sound investments, should they be made, in order to increase business.

Depreciation charges were £263,217 (£232,729). Tax rose from £70,723 to £179,418. At the attributable level the result improved to £478,309 (£359,297). Dividends absorb £264,324 (£262,194).

## comment

Supra's recovery is largely thanks to reduced borrowings. The interest charge nearly halved in the year, bringing down income gearing from 46 per cent to about 22 per cent.

Trading profits in the period advanced by only 7 per cent and the company sees little evidence of more solid recovery coming from the group's motor component business is pinned to the replacement and D.I.Y. trade, which has been less damaged by the current slump than the motor industry as a whole.

Supra's ability to keep its head above water in the field has prompted a search for an addition to this side of the business. It has lined up credit facilities of up to £10m to back such a move, but says no prospects are yet in hand.

Despite the group's careful cash control, a recovery this year to the 1979 peak of £1m appears unlikely. The shares, up 1p to 53p, look price on a fully-taxed historic p/e of over 21—the name Quinton Hazell apparently carries some magic still. The yield is 3.5 per cent.

At midyear, when a decline from £3.6m to £3.05m was reported, the directors said any second half profit increase was likely to come more from cost savings than from any easing of conditions. They warned, however, that it was unlikely that full year results would equal those of the previous 12 months.

Basic earnings per 50p share are stated at 37.58p (46.21p) for the year under review, and those fully diluted turned in at 36.25p (41.79p). The total dividend is held at 7.61p with a final of 4.2p net.

On a CCA basis, profits before tax are shown at £4.58m (£4.63m) and profits available to ordinary holders at £3.13m (£3.48m).

The South African operations of Hall Engineering have provided

an even greater support to profit than in 1980. In the UK, all of the group's major activities were adversely affected by the recession, especially those associated with the construction industry. The nearly trebled interest charge indicates that Hall has embarked on some big capital spending, as well as investing more in South Africa, the group is building a new steel sheet holding warehouse in Wales and helping Shrewsbury Tool and Die tool up for new markets to replace the flagging motor sector. At 104p unchanged, the yield on £1m covered dividend is under 7 per cent. The shares are also supported by conservatively stated net assets of about £50p.

On current year prospects, he now says that this year the group should be able to record an increase in profits.

With stated earnings per 25p share ahead from 30.8p to 34.2p, the year's dividend is being raised by 0.5p net to 8p with a final of 1.25p (4p).

Tax charge was lower at £354,000 (£487,000) and after

turnover rose during the 12 months from £26,99m to £27,04m. Tax was lower at £364,000, against £519,000, leaving net profits at £729,000 (£778,000). On a current cost basis the pre-tax profits emerge at £795,000 (£787,000).

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## Sedgwick climbs by 36% to £56.4m and pays more

PROFITS before tax of Sedgwick Group, insurance and reinsurance broker and underwriting agent, rose by 36 per cent from £41.57m to £56.44m for 1981, with second-half figures ahead from £18.97m last time to £27.34m.

The board estimates, however, that the year's taxable profits might have been about £5m lower if the international value of sterling had not decreased during the year.

Stated earnings per 10p share were ahead from 10.1p to 12.4p and the dividend for 1981 is being paid by 1p to 6p net with a final of 3.75p (3p).

Revenue totalled £168.81m, compared with £135.1m, and the board says this 25 per cent increase highlights the encouraging amount of new business which had been acquired worldwide.

The group's brokerage income, which would have been higher but for the continuing effects of low insurance rates for most classes of business throughout the world, has also benefited

from the favourable exchange rates existing during the latter half of the year.

Interest earnings were higher than in 1980, partly as a result of beneficial international interest rates. Expenses rose from £96m to £116.6m. Group pre-tax profits included £4.28m (£2.43m) from its insurance companies.

Tax charge increased from £19.96m to £27.65m and after minority debits of £158,000 (£30,000) and extraordinary credits of £1.2m (£555,000 debits) group earnings for the year showed an advance from £20.86m to £30.02m.

Dividends absorbed £12.82m (£10.6m) leaving a retained balance of £17.2m, compared with £10.26m.

Current cost accounting reveals 1981 taxable profits to £54.86m (£38.88m).

comment

All sorts of things were expected of Sedgwick yesterday, but none of them had to do with profits. By the day's end, a rights issue

had not materialised, a U.S. acquisition was not announced and rumours of a dawn raid were apparently discredited by the market which left the share unchanged at 150p. In the event, Sedgwick's profits confirm that the group is more than holding its own in the realigned transatlantic market. Expenses have been contained; they work out to 89 per cent of revenue for 1981, against 71 per cent in 1980. Sedgwick's doesn't give much away in its financial statements, but the group is mainly benefitting from stronger overseas business and its ties to large industrial accounts, such as the oil rig business. The company says the UK brokerage business remains dull, but it appears that Sedgwick has managed to push up its UK market share nonetheless. The market is expecting around £20m in the current year. This gives the shares a prospective fully-taxed p/e of around 10, which is cheap for the sector. The increased dividend indicates a yield of about 6 per cent.

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had not materialised, a U.S. acquisition was not announced and rumours of a dawn raid were apparently discredited by the market which left the share unchanged at 150p. In the event, Sedgwick's profits confirm that the group is more than holding its own in the realigned transatlantic market. Expenses have been contained; they work out to 89 per cent of revenue for 1981, against 71 per cent in 1980. Sedgwick's doesn't give much away in its financial statements, but the group is mainly benefitting from stronger overseas business and its ties to large industrial accounts, such as the oil rig business. The company says the UK brokerage business remains dull, but it appears that Sedgwick has managed to push up its UK market share nonetheless. The market is expecting around £20m in the current year. This gives the shares a prospective fully-taxed p/e of around 10, which is cheap for the sector. The increased dividend indicates a yield of about 6 per cent.

comment

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## Companies and Markets

## BIDS AND DEALS

## MINING NEWS

## BAT expected to improve offer for Marshall Field

BY DAVID LASCELLES IN NEW YORK

BAT, THE UK retailing and tobacco group, was widely expected last night to improve its \$310m takeover bid for Marshall Field, the Chicago department store with whom it agreed terms earlier this week.

Status, the company's U.S. subsidiary, was holding a board meeting at its headquarters in Louisville, Kentucky, yesterday afternoon "to consider" possible revision in the terms, according to an official statement.

The meeting came amid considerable speculation on Wall Street that BAT's offer would be challenged either by a counter-bid or by a group of investors headed by Mr. Carl Icahn, the New York financier, who holds about 30 per cent of the company.

Marshall Field shares were

suspended from trading on the New York Stock Exchange yesterday morning. They had been changing hands at \$25.50 in heavy trading, exactly the level offered by BAT. Normally takeover stocks trade slightly below the offered price.

Speculation was fuelled by a revelation from Marshall Field that BAT's bid had only just topped rival offers, reliably understood to have come from Carter Hawley Hale, another U.S. retailing chain, which tried to buy Marshall Field once before, and the Trump Brothers of South Africa.

Mr. Icahn has already said he intends to fight the deal with every means available. However, Marshall Field has gone to court to seek a restraining order to stop him soliciting recommendations opposing the deal while complying with federal dis-

closure requirements. Mr. Icahn's group includes European investors from Switzerland and Belgium.

The merger also faces possible Anti-Trust scrutiny because BAT's retail interest in the U.S. could overlap with Marshall Field's. Details of the merger have been filed with the U.S. Anti-Trust authorities, but BAT is reserving the right to pull out if Anti-Trust charges are made.

BAT disclosed in documents filed with the secretary that it intends to finance the deal with a loan from six U.S. banks: Continental Illinois, Morgan Guaranty, Bankers Trust, Citibank, Chemical Bank and Chase Manhattan. BAT can choose from a number of interest rate options, including the U.S. Prime Rate, and rates based on Libor or Certificates of Deposit.

## Holmes à Court sets out his long term plans for ACC

BY JOHN MOORE, CITY CORRESPONDENT

SHAREHOLDERS of Associated Communications Corporation have been given the first glimpse of the future of the group, if it is taken over by business interests of Mr. Robert Holmes à Court, the Australian entrepreneur.

In the first offer document, issued yesterday in the campaign for control of ACC, TVW Enterprises, an Australian television company headed by Mr. Holmes à Court, says that if it gains control of ACC, it is its long-term objective "to combine its media interests with those of ACC and to support the existing management of ACC in returning ACC to profitability."



Mr. Robert Holmes à Court speaking at yesterday's EGM: "Our objective is to combine TVW Enterprises' media interests with those of ACC and support the existing management of ACC in returning ACC to profitability."

TVW says that it "does not contemplate the cessation of any of ACC's current activities or any redundancies occurring in respect of ACC employees (other than directors of ACC)" as a direct consequence of the assumption of control of the company. It also says that it will place a value on certain assets of ACC which are already under consideration by the board of ACC, it is TVW's intention to make any changes in ACC's business.

TVW is making a two tier offer for ACC, the highest offer worth 110p for each quoted non-voting 11p share. That places a value of more than £50m on the entirety of ACC. If shareholders are to receive 110p for each of their shares TVW will require not less than 80 per cent acceptance in respect of both the voting and non-voting ACC equity.

If it does not receive that level of acceptance then a lower bid worth 50p for each non-voting share will come into force. TVW already holds 52.57 per cent of ACC's non-voting equity. Mr. Holmes à Court started bidding for ACC in January through his master company, the Bell Group. A pre-condition of that bid was that Lord Grade should step down as chairman and chief executive and that he should assume the chairmanship and executive control.

Bell has made available to

ACC a facility of £10m no part of which has yet been drawn down by ACC.

Under the terms of the TVW offer, Bell's managerial and financial support to ACC must continue until the 95p per share becomes unconditional.

After an extraordinary general meeting to consider the question of a record compensation payment worth £500,000 with additional property benefits to Mr. Jack Gill, the group's former managing director, Mr. Holmes à Court told journalists that that ACC board was meeting to consider a profit forecast.

He said that the offer documents from TVW contained nothing about the future of Lord Grade or details of yachts and cars for sale at ACC. Earlier this year Mr. Holmes à Court had indicated that he intended to disclose details of ACC expenditure in his offer document which would have been put out by his Bell company.

He said yesterday that the TVW offer had been made unilaterally and without any consultations with the ACC board so "there was no need to go into that type of detail."

Asked about Lord Grade's future if TVW succeeded, he said: "We are remaining silent on that. The document was produced without any negotiations. He admitted it was 'a very non-theatrical document.'"

Asked about his own position as chairman of ACC Mr. Holmes à Court said: "I will stay as chairman until such time as I decide to resign." His position as chairman was planned by the agenda. It will be my decision.

Declining to speculate on what event of a higher bid, Mr. Holmes à Court said: "We will jump our fences right when we get to them, not before." He added: "It is all a question of price but every company we have bought has been loss-making at the time we purchased."

If TVW acquired ACC it would only reshuffle assets in order to improve earnings. It would not turn the company into cash.

He disclosed that TVW has not yet approached the Independent Broadcasting Authority to discuss ACC's 51 per cent holding in Central Independent Television. He suggested that he would seek the same agreement as his Bell company gained in earlier negotiations.

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## Murchison now relies on gold

BY KENNETH MARSTON, MINING EDITOR

AFTER last year's recovery, little change is expected in 1982 results of South Africa's antimony and gold-producing Consolidated Murchison. This forecast, however, given in the annual report by the chairman Mr. H. Dalton-Brown, was written on February 23 when the gold price stood at \$361 per ounce.

It may thus need to be qualified as a result of the further fall that has occurred in the price since then, especially in the light of Mr. Dalton-Brown's comment that the mine would not be operating profitably without its gold by-product.

Murchison supplies about 24 per cent of the western world's antimony needs; the metal's applications include use in electric batteries and flame-proof materials.

Weak market conditions in the first half of last year resulted in Murchison selling only 74 per cent of its production which, in turn, had been cut back by about one-third. The second half of the year brought an improvement and sales of antimony cobs and concentrates almost matched output.

They totalled 15,599 tonnes, but stocks at end-year amounted to 16,946 tonnes. The improved demand for antimony, however, had little effect on prices which remain depressed at just under \$1,000 (£436) per tonne which is the level to which Murchison's costs have risen.

So it was the contribution of gold which lifted 1981 earnings to \$4.65m from \$1.49m in the previous year and allowed the company to double its dividend to 20 cents.

Maintenance of the higher dividend rate in the current year may well depend on a recovery in the gold price—antimony demand is not expected to improve—because capital spending will rise to \$3m from \$1.28m in 1981 largely on the previously postponed shaft deepening programme which is now to commence.

Murchison shares rose 15p to 240p yesterday.

## Esso looks to Malaysia

SPENDING OF \$51.1bn (£263m) on oil exploration and development this year is planned by Esso Petroleum Malaysia, wholly-owned subsidiary of Exxon Corporation. This is an increase of 57 per cent on last year's budget and represents some 8.37 per cent of Exxon's total spending outside the U.S.

Major projects in Malaysia include the installation of four new offshore production platforms in the northern state of Terengganu and the building of a crude oil terminal at Keroh in the state.

Work on the platforms began last year at three new oilfields, Timgi, Kepang and Timgi. They raise to six the total number of the company's oilfields off Terengganu.

## Marinduque's heavy loss

A biggest-ever net loss of \$72m pesos (\$58.5m) for 1981 has been suffered by Marinduque Mining and Industrial, the heavily indebted Philippines producer of nickel, copper and cement, reports Leo Gonzaga from Manila. In 1980 the company lost \$274m following a net profit of \$168m in the previous year.

The main reason for the latest severe loss was last year's payment of \$612m in interest, guarantee, withholding tax and other charges on foreign and domestic loans. At the same time operating costs rose while the nickel operations lost money.

Copper mining and cement production remained profitable, but the outlook for them in the current year is cloudy. Meanwhile, further payments will fall due on loans to the Philippines Government which is the majority stockholder in Marinduque as well as a creditor.

## ROUND-UP

Australia's Jamborana Minerals has suspended underground operations at its 50 per cent-owned Minador gold mine spend up to \$34.5m (£2.05m) on a 49 per cent working interest in it is hoped to extend the term of the mine's lease agreement with the Philippine Government which is the majority stockholder in Marinduque as well as a creditor.

## Sale Tilney

## Results

(subject to final Audit)

Year to November	1981	1980
Net Profit before Tax	1,977	1,936 +2.1%
Total shareholders' funds	11,405	10,001 +14.0%
Earnings per ordinary share	34.2p	30.8p +11.0%
Net Assets per ordinary share	236.3p	206.8p +14.2%

● Dividend  
Payment of a final dividend of 4.25p per share is being recommended on the ordinary share capital. With the interim dividend total payments are 8.0p per share (1980 7.5p per share).

● Extract from the Chairman's Review  
The world is still in the throes of an exceptionally severe recession. There is some relief in sight as oil prices begin to soften and as interest rates decline. Nevertheless, I do not foresee a general end to the worldwide recession until the end of 1983. It is against this background that I am happy to say that this year the Group should be able to record an increase in profits.

SALE TILNEY & COMPANY, p.l.c.  
28 Queen Anne's Gate, London SW1H 9AB

## A.&amp;J. Mucklow Group

Largest owner of Industrial Estates in the Midlands

INTERIM RESULTS (unaudited)  
Half Year to 31st December 1981

- \* Pre-Tax Profit of £2.33m (£1.80m)
- \* Interim Dividend of 2.00p net (1.88p)
- \* 40 Factory Estates owned
- \* Factory Estate portfolio valued at £58m

## Prospects

"I expect to see a further improvement in pre-tax profits for the Group in the second half year."

Albert J. Mucklow, Chairman

## Assed Leisure in coach deal

Associated Leisure, the video games and slot machines group, has bought a private-coach business and holiday tour operator in the North country for just over £11m. Its shares gained 11p to close at 100p.

Smiths Happaway Spencer is a Wigan-based company which last year made pre-tax profits of £24m on a turnover of £13.9m. It is managed by Mr. J. Solomon, the three families who have built the company over the past 50 years and they have agreed to stay with it for at least the next three years.

Mr. Nathaniel Solomon, Associated Leisure's managing direc-

tor, said his company had felt unhappy for some time "with most of our eggs in the amusement machine basket." Its video machine operations have been unprofitable for the last year in particular.

"We wanted to be in the value-for-money sector of the leisure industry and SHS seemed to us to fit nearly ideally our requirements," said Mr. Solomon. SHS had net tangible assets of £7.4m at the end of last year, including an adjustment for a £0.79m revaluation of property assets. It owns over 150 coaches which provides local services for a catchment area of 18m people

around the North West as well as being the basis of the company's holiday tours business.

The holiday tours account for about 75 per cent of SHS's turnover and rather more of its net profits. Three-quarters of the tours are directed at South coast resorts in England—the remainder go to continental Europe—and about half of the passengers carried stay in hotels owned by SHS.

SHS owns two hotels in Scotland and seven in England. Associated Leisure already has four hotels of its own, though these are aimed at the business traveller rather than tourist market.

Mr. Solomon said that the acquisition of further hotels was now a possibility but would be followed up pari passu with a search for new catchment areas for the coach business. "For the time being SHS will offer us the growth prospects that we have been seeking," he said.

Associated Leisure is paying for SHS with £4.7m of an unsecured 11 per cent loan stock due in 1982, £4.1m in cash and 1.5m ordinary shares. The shares represent 5.7 per cent of Associated's total equity and were worth £1.5m at last night's closing price. A further payment will be made of £1.1m in April 1982 in cash or loan stock at the vendor's option.

Mr. Henry Sawbridge, SHS's managing director, said a public flotation of the company's shares had been an option considered last summer but the company "simply did not want the hassle." Now they would hold on to their Associated Leisure shares and play "a vital part in the whole set-up."

Associated's 1981-82 fiscal year ended in cash. The company had a positive cash flow of about £7m and had cash balances of £2.53m earlier this month. The surplus needed for the cash part of the purchase of SHS—its cash business with a positive cash flow of about £7m—has come from existing bank overdraft facilities.

GREAT NORTHERN/RIT AS AT the close of business on March 17 1982 estimated net asset values after deducting prior charges at market value were 175.1p per ordinary of Great Northern and 472.5p per ordinary of RIT.

The share exchange ratio under the Great Northern offer will not be determined until the offer becomes or is declared to be unconditional and to acceptance but on the basis of the then current net asset values it would result in an ordinary shareholder of RIT receiving, for every 100 ordinary shares in RIT, approximately 270 ordinary shares of GN.

Tricentral—Morgan Grenfell and Co. Associates of CCP North Sea Associates purchased on behalf of a discretionary investment client 20,000 ordinary shares in Tricentral at 172p and 15,000 at 170p.

Charterhouse Petroleum—Baring, Brown and Co., an associate of Cluff Oil, sold 25,000 shares at 87p for discretionary investment to 25,000 shares (9.57 per cent).

Peak Holdings—Havard Securities has reduced its holding from 142m to 82,000 shares (9.57 per cent).

CCP North Sea—N. M. Rothschild and Sons announced that it had sold 5,000 CCP North Sea Associates ordinary at 190p on behalf of discretionary clients.

Narborough (FMS) Rubber—John State Economic Development Corporation held 465,000 ordinary shares (8.7297 per cent).

Stead and Shapson—230,000 "A" ordinary shares have been sold by the executors of J. F. Mitchell deceased. Mr. James Ian

## Sonoco wants rest of Capseals

Sonoco, the U.S.-based international manufacturer of specialty plasterboard, wood and plastic products, has made a recommended bid for the outstanding 40.8 per cent of Capseals, the specialty packaging company, at 50p a share. The shares close at that level, showing a gain of 5p.

The bid, advised by Hill Samuel, follows a direct purchase of 59.2 per cent of the equity at the same price from Capseals' majority shareholder, Cope Allman.

Announcing the sale of the majority stake yesterday, Mr. Louis Manson, Cope Allman's chairman, said it was part of his company's declared restructuring policy. The future of the Capseals' holding had been a subject of debate each year for some time past.

The disposal would now facilitate Cope Allman's decision to concentrate on its two main activities of plastic and metal packaging, and the manufacture and operation of amusement machines.

Mr. Manson said 50p a share represented a total value for Capseals of just under £8m which appeared a good price. "The asset backing is only about 38p a share, so we think 50p for what is a manufacturing business is quite good in these days," he said.

Sonoco, which is based in South Carolina and had worldwide sales of \$535m last year, first approached Cope Allman with a view to buying Heathfield Co, a Capseals' subsidiary which is the UK's biggest bagging manufacturer. Sonoco itself is the biggest bagging manufacturer in the U.S. Negotiations followed for the sale of the whole company.

Cope Allman, which has been advised by Morgan Grenfell, has received \$532m cash for its Capseals shares, shedding debt of about £2m. The sale of Capseals had been the "major item" in the programme. Cope Allman's half-year figures are due to be announced a week today.

Mr. Whyte and his associate have asked us to stress that they were not in any way linked with any overseas nominee accounts and that they have complied at all times with statutory obligations to notify their holdings.

OUR G. T. WHYTE  
OUR March 12 report of the reduction by Mr. G. T. Whyte and his German associate Mr. G. Kreissel of their holding in R. P. Martin to 4.13 per cent in aggregate (not 4.45 per cent as previously reported) described Mr. Whyte's original acquisition as being "through a series of overseas nominee accounts." This should have read "from clients of Banque Bruxelles Lambert."

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LONDON TRADED OPTIONS									
Mar. 18 Total Contracts 1,039 Calls 711 Puts 317									
Option	Exercise price	Closing offer	Vol.	July		Oct.		Equity close	
				Closing offer	Vol.	Closing offer	Vol.		
BP (a)	340	44	2	18	2	24	—	833p	
BP (a)	350	3	1	14	1	15	10	—	
BP (a)	350	11	1	4	—	8	—	—	
BP (a)	360	10	1	12	—	14	—	—	
BP (a)	370	3	1	24	—	26	—	—	
BP (a)	380	40	25	40	—	44	1	146	—
BP (a)	390	10	1	14	—	14	—	—	
CU (a)	160	5	10	8	—	10	—	—	
Cons. Gld (c)	380	25	1	35	15	45	—	369p	
Cons. Gld (c)	390	3	2	23	—	24	—	—	
Cluda. (a)	70	15	2	18	6	21 1/2	—	88p	
Ozids. (a)	80	6	2	12	—	16	—	—	
GED (c)	800	25	8	64	—	82	—	821p	
GED (c)	900	9	1	15	—	27	—	—	
GED (c)	800	14	—	—	50	27	—	—	
Grd Met. (c)	800	11	5	18	5	22 1/2	—	201p	
Grd Met. (c)	850	5	—	—	—	11	10	—	
Grd Met. (c)	900	8	—	14	—	16	10	—	
Grd Met. (c)	920	21	2	23	27	29	—	—	
ICI (c)	320	28	1	15	—	42	—	334p	
ICI (c)	330	10	10	22	—	30	—	—	
ICI (c)	350	4	—	9	5	16	—	—	
ICI (c)	360	40	—	48	—	61	—	—	
Land Sec. (c)	300	11	—	18	3	25	—	294p	
Shell (c)	330	28	8	36	6	46	—	336p	
Shell (c)	340	7	—	20	1	28	—	—	
Shell (c)	350	20	2	24	—	28	1	—	
May									
Barclays (a)	420	27	6	55	5	—	—	445p	
Barclays (a)	450	18	1	23	—	—	—	—	
Barclays (a)	500	6	1	10	6	20	—	—	
Barclays (a)	500	58	2	55	—	58	—	—	
Imperial (c)	80	31 1/2	—	24 1/2	—	—	—	91p	
Imperial (c)	70	21 1/2	—	10	—	—	—	—	
Imperial (c)	80	12	15	16	26	18	—	—	
Imperial (c)	90	4 1/2	19	9	255	11	—	—	
Imperial (c)	70	1	25	112	—	—	—	—	
Imperial (c)	80	14	35	2 1/2	—	4	13	—	
Imperial (c)	90	4	—	5 1/2	—	—	—	—	
Imperial (c)	90	4	—	5 1/2	—	—	—	—	
Laureo (c)	370	3	—	—	—	6 1/2	—	284p	
Laureo (c)	300	10	15	17	—	2	—	—	
Laureo (c)	390	3	2	6	—	—	—	—	
Laureo (c)	70	7	—	10	25	12	4	74p	
Laureo (c)	80	3	30	5	—	7	—	—	
Laureo (c)	70	2 1/2	80	4	—	5	3	—	
Laureo (c)	80	8	24	5	—	11	—	—	
Laureo (c)	90	18	6	19	23	16	—	—	
P & O (c)	130	9	11	11	35	16	3	127p	
P & O (c)	140	8	—	—	—	—	—	—	
Racal (c)	350	48	—	37	5	48	—	573p	
Racal (c)	350	4	12	23	6	28	—	—	
Racal (c)	390	8	7	8	—	13	—	—	
Racal (c)	390	23	6	28	80	—	—	—	
Racal (c)	420	53	—	55	1	—	—	—	
RTZ (c)	420	25	42	34	6	48	—	417p	
RTZ (c)	460	9	2	20	—	27	—	—	
RTZ (c)	480	20	3	23	—	37	—	—	
RTZ (c)	460	47	10	54	—	57	—	—	
Vaal Rft. (c)	40	5 1/2	—	6 1/2	19	57	4	54p	
Vaal Rft. (c)	40	1 1/2	—	—	2	2 1/2	—	—	
Vaal Rft. (c)	50	4 1/2	—	1 1/2	—	2 1/2	5	—	
Vaal Rft. (c)	50	10	—	—	—	—	—	—	
Vaal Rft. (c)	50	10	—	10	20	10 1/2	—	—	
C=Call				P=Put					

## COMPANY NOTICES

## De Beers Consolidated Mines Limited

Incorporated in the Republic of South Africa

NOTICE TO HOLDERS OF DEFERRED SHARE  
WARRANTS TO BEARER  
PAYMENT OF COUPON No. 68

With reference to the notice of declaration of dividend advertised in the Press on 10th March 1982, the following information is published for holders of share warrants to bearer.

The dividend of 25 cents per share was declared in South African currency. South African non-resident shareholders' tax at 2.78673 cents per share will be deducted from the dividend payable in respect of all share warrant coupons leaving a net dividend of 22.21325 cents per share. The dividend on bearer shares will be paid on or after 7th May 1982 against surrender of coupon No. 68 detached from share warrants to bearer as under—

- (a) At the office of the following Continental paying agents:
- |                                    |                           |
|------------------------------------|---------------------------|
| Banque Rothschild                  | Credit Suisse             |
| 21 Rue Laiffre                     | Paradeplatz 8             |
| 75009 Paris                        | 8021 Zurich               |
| Banque Bruxelles Lambert           | Union Bank of Switzerland |
| 3 Rue de la Regence                | Bahnhofstrasse 45         |
| 1000 Brussels                      | 8021 Zurich               |
| Societe Generale de Banque         | Swiss Bank Corporation    |
| 3 Montagne du Parc                 | 1 Aeschenvorstadt         |
| 1000 Brussels                      | 4002 Basle                |
| Banque Internationale a Luxembourg |                           |
| 2 Boulevard Royal                  |                           |
| Luxembourg                         |                           |

Payments in respect of coupons lodged at the office of a Continental paying agent will be made in South African currency to an authorised dealer in exchange in the Republic of South Africa nominated by the continental paying agent. Instructions regarding disposal of the proceeds of the payment so made can only be given to such authorised dealer by the continental paying agent concerned.

(b) At the London Bearer Reception Office of Charter Consolidated P.L.C., 40 Holborn Viaduct, London EC1P 1AJ. Unless persons depositing coupons at such office request payment in rand to an address in the Republic of South Africa, payment will be made in United Kingdom currency either:

(i) in respect of coupons lodged on or prior to 30th April 1982, at the United Kingdom currency equivalent of the rand currency value of their dividend on 30th March 1982; or

(ii) in respect of coupons lodged after 30th April 1982, at the prevailing rate of exchange on the day the proceeds are remitted, through an authorised dealer in exchange in Johannesburg to the London Bearer Reception Office.

Coupons must be left for at least four clear days for examination and may be presented any weekday (Saturday excepted) between the hours of 10 a.m. and 3 p.m. United Kingdom income tax will be deducted from payments to any person in the United Kingdom in respect of coupons deposited at the London Bearer Reception Office, unless such coupons are accompanied by Inland Revenue non-residence declaration forms. Where such deduction is made, the net amount of the dividend will be the United Kingdom currency equivalent of 17.5 cents per share arrived at as follows:

Amount of dividend declared	25.00000
Less: South African non-resident shareholders' tax at 11.147%	2.78673
	22.21325
Less: U.K. income tax at 18.553% on the gross amount of the dividend of 25 cents	4.71325
	17.50000

For and on behalf of  
Anglo American Corporation of South Africa Limited  
London Secretaries  
J. C. Greensmith  
18th March, 1982

London Office:  
40 Holborn Viaduct  
London EC1P 1AJ

Note:

The Company has been requested by the Commissioners of Inland Revenue to state:

Under the double tax agreement between the United Kingdom and the Republic of South Africa, the South African non-resident shareholders' tax applicable to the dividend is allowable as a credit against the United Kingdom tax payable in respect of the dividend. The deduction of tax at the reduced rate of 18.553% instead of the basic rate of 30% represents an allowance of credit at the rate of 11.147%.

## De Beers

De Beers Consolidated Mines Limited

## BOND DRAWINGS

PERUVIAN NATIONAL LOAN  
6% External Sinking Fund Bonds 1928  
(Second Series)

S.G. WARBURG & CO. LTD., announce that the semi-annual redemption instalment due 1st April, 1982, has been met by purchase in the market to the nominal value of £5,400 and by a drawing of Bonds to the nominal value of £22,100.

The distinctive numbers of the Bonds, drawn in the presence of a Notary Public, are as follows—

7383	7502	7704	7889	8037	8283	8484
33	59	113	150	257	344	516
574	628	683	727	782	802	898
1017	1065	1102	1177	1198	1270	1278
1291	1489	1504	1531	1559	1584	1613
1774	1787	1844	1810	1939	1982	2009
2205	2234	2265	2293	2322	2383	2408
2639	2676	2710	2757	2848	2899	2920
3082	3100	3148	3186	3255	3315	3337
3508	3550	3581	3595	3631	3699	3730
3885	3917	3954	4006	4071	4106	4167
4328	4368	4412	4452	4528	4574	4614
4694	4728	4759	4805	4862	4903	4937
5118	5186	5200	5227	5246	5269	5309
5536	5605	5627	5684	5757	5793	5810
5983	6008	6036	6072	6091	6115	6138
6250	6344	6368	6422	6464	6525	6545
6702	6722	6764	6848	6870	6904	6930
7029	7044	7088	7137	7169	7189	

On the 1st April, 1982, assented Bonds will become payable at the new par value of £174 for each £100 nominal, together with accrued interest to said date at the office of—

S.G. WARBURG & CO. LTD.,  
Coupon Department, St. Albans House,  
Goldsmith Street, London, EC2P 2DL.

Interest will cease to accrue on the Bonds called for redemption on and after 1st April, 1982 and Bonds presented for payment must have attached all coupons maturing after that date.

£256,200 nominal Bonds will remain outstanding after 1st April, 1982.

The following Bonds drawn for redemption on the dates stated below have not as yet been presented for payment.

1st October, 1975	1st April, 1977	1st October, 1977	1st April, 1978	1st October, 1979	1st April, 1980	1st October, 1980	1st April, 1981	1st October, 1981	1st April, 1982
£100 Bonds	£100 Bonds	£100 Bonds	£100 Bonds	£100 Bonds	£100 Bonds	£100 Bonds	£100 Bonds	£100 Bonds	£100 Bonds
2734	3056	4316	5016	4530	3117	3489	4503	4824	4887
4954	5197	5544	5963	6361	6699	6999	7189	7315	7383
7502	7704	7889	8037	8283	8484	8699	8904	9109	9314
9519	9724	9929	10134	10339	10544	10749	10954	11159	11364
11569	11774	11979	12184	12389	12594	12799	12904	13109	13314
13519	13724	13929	14134	14339	14544	14749	14954	15159	15364
15769	15974	16179	16384	16589	16794	16999	17204	17409	17614
17819	18024	18229	18434	18639	18844	19049	19254	19459	19664
19869	20074	20279	20484	20689	20894	21099	21304	21509	21714
21919	22124	22329	22534	22739	22944	23149	23354	23559	23764
23969	24174	24379	24584	24789	24994	25199	25404	25609	25814
26219	26424	26629	26834	27039	27244	27449	27654	27859	28064
28269	28474	28679	28884	29089	29294	29499	29704	29909	30114
30319	30524	30729	30934	31139	31344	31549	31754	31959	32164
32319	32524	32729	32934	33139	33344	33549	33754	33959	34164
34319	34524	34729	34934	35139	35344	35549	35754	35959	36164
36319	36524	36729	36934	37139	37344	37549	37754	37959	38164
38319	38524	38729	38934	39139	39344	39549	39754	39959	40164
40319	40524	40729	40934	41139	41344	41549	41754	41959	42164
42319	42524	42729	42934	43139	43344	43549	43754	43959	44164
44319	44524	44729	44934	45139	45344	45549	45754	45959	46164
46319	46524	46729	46934	47139	47344	47549	47754	47959	48164
48319	48524	48729	48934	49139	49344	49549	49754	49959	50164
50319	50524	50729	50934	51139	51344	51549	51754	51959	52164
52319	52524	52729	52934	53139	53344	53549	53754	53959	54164
54319	54524	54729	54934	55139	55344	55549	55754	55959	56164
56319	56524	56729	56934	57139	57344	57549	57754	57959	58164
58319	58524	58729	58934	59139	59344	59549	59754	59959	60164
60319	60524	60729	60934	61139	61344	61549	61754	61959	62164
62319	62524	62729	62934	63139	63344	63549	63754	63959	64164
64319	64524	64729	64934	65139	65344	65549	65754	65959	66164
66319	66524	66729	66934	67139	67344	67549	67754	67959	68164
68319	68524	68729	68934	69139	69344	69549	69754	69959	70164
70319	70524	70729	70934	71139	71344	71549	71754	71959	72164
72319	72524	72729	72934	73139	73344	73549	73754	73959	74164
74319	74524	74729	74934	75139	75344	75549	75754	75959	76164
76319	76524	76729	76934	77139	77344	77549	77754	77959	78164
78319	78524	78729	78934	79139	79344	79549	79754	79959	80164
80319	80524	80729	80934	81139	81344	81549	81754	81959	82164
82319	82524	82729	82934	83139	83344	83549	83754	83959	84164
84319	84524	84729	84934	85139	85344	85549	85754	85959	86164
86319	86524	86729	86934	87139	87344	87549	87754	87959	88164
88319	88524	88729	88934	89139	89344	89549	89754	89959	90164
90319	90524	90729	90934	91139	91344	91549	91754	91959	92164
92319	92524	92729	92934	93139	93344	93549	93754	93959	94164
94319	94524	94729	94934	95139	95344	95549	95754	95959	96164
96319	96524	96729	96934	97139	97344	97549	97754	97959	98164
98319	98524	98729	98934	99139	99344	99549	99754	99959	100164

30 Gresham Street, London, EC2P 2EB 19th March, 1982

## Companies and Markets

## UK COMPANY NEWS

Overseas advance keeps  
Steetley fall to 5%

INCREASED interest and depreciation charges helped push down taxable profits of Steetley by 5 per cent from £18.23m to £17.27m in 1981, on higher turnover of £402.41m compared with £345.73m.

Profits from overseas operations of this minerals, construction and chemicals group increased by 37 per cent and represented 48 per cent of the £18.23m (£36.48m) operating surplus. Profits from UK operations were 14 per cent down.

At the same time as publishing these figures, Steetley has announced that agreement has been reached in principle with Harrison and Crossfield to acquire Steetley's chemical business in Australia.

This acquisition is subject to the approval of the Australian Government under its foreign investment policy and relates to the whole of Steetley's chemical activities except the Steetley Escrow division.

With earnings per 25p share stated at 28.66p (31.83p) before tax, and 15.51p (26.13p) after tax, the final dividend is being maintained at 6.5p, making a same again total of 10.5p.

Lord Boardman, chairman, says that following the Budget and the lowering of interest rates, he expects an improvement in many of the UK activities, but the group will have to wait for a recovery in the U.S. economy before there can be any further improvement in overseas earnings.

Looking to the year under review, he says the 5 per cent fall in taxable profits represents a good performance given the adverse trading conditions, and reflects the company's ability to weather a severe economic environment. In the UK the most important sector to the group was at its lowest for many years.

There was also a reduction in the usage of refractories in steel making, while the engineering and chemical industries were very depressed.

The taxable profits include a six month contribution of £0.5m from G. H. Downing, which was acquired in July 1981, and

## BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering the annual accounts and are not available as to whether dividends are interim or final and the subdivisions shown below are based mainly on last year's results.

Interim: Mills and Allan International, Minerals and Resources Corporation, Waring and Galloway, Finesse, B. S. M. Bank, Mondor (Kewsting Mills), George Over (Footwear).

## FUTURE DATES

Company	Date
Anglo-Continental Products	Mar 25
Metco (I. and I.) Paper Mills	Mar 22
United Wire	Apr 22
Finals:	
A.P.V.	Mar 30
Stamam (C. D.)	Apr 19
Equity and Law Life Assurance	Mar 22
Freemantle	Mar 25
Glynwed	Mar 25
Lambert Horwath	Mar 30
London and North Western	Mar 24
Mandem	Mar 25
Reckitt and Colman	Mar 30

## comment

Steetley's two major acquisitions in the past three years—G. H. Downing and Gibbons Dudley—have gone a long way to help swing the balance of the group's activities from steel towards construction materials. But the severe recession in all of the group's customer industries has delayed the arrival of any benefits from this transformation.

UK demand for building materials, for example, fell 30 per cent last year. Thus, while Steetley's turnover has continued to grow and trading profits have at least been flat, earnings per share have fallen.

Interest charges were up nearly a third last year partly because of financing the £5.5m cash portion of the Downing takeover and partly because of very high interest rates in North America.

With the revaluation of dollar loans and the write-offs from shareholders' funds, capital gearing could be approaching the 50 per cent level, so the £12m cost adjustment reduced the pre-tax profits of £3.5m (£5.9m).

Returning to the sale of Steetley's Australian chemical business, Harrison and Crossfield will acquire the assets and liabilities, other than borrowings and overheads, and the purchase consideration will depend on statement of assets and liabilities.

## Liverpool Post rises to £3.9m

IN SPITE of sustained pressure on advertising volumes on newspapers in the UK, Liverpool Daily Post and Echo taxable profits rose sharply from £1.54m to £3.7m in 1981.

A final net dividend of 6.5p (6.03p) per 50p share is proposed making a total of 10.2p (9.5p). Stated earnings per share are 18.4p against 10.2p.

Additional problems facing the group in the UK were the effects of the "bingo" promotion by national newspapers chasing circulation and a substantial increase in newspaper costs from weakening sterling.

The directors say the profit from the UK daily and weekly newspapers of £1.5m was achieved partly by cost-cutting measures implemented towards the end of 1980 and by the introduction of photo-type setting.

Overseas, say the directors, the North American newspapers returned record profits led by an impressive performance from Canada.

In Canada, the new direct-entry systems of newspaper composition made it possible to process increased advertising at little additional cost, they say. Also, North American earnings were further enhanced on conversion to sterling.

The directors point out that the group's papermaking and packaging division made record profits of more than £2m reflecting growth in output and substantial changes to the divisional product mix.

The relative strength of the dollar over the previous year eased pressure on selling prices considerably at the group's Trinity Paper Mills, the directors add.

Turnover for the year rose by £13.24m to £82.57m. Tax took £1.3m against £398,000 while interest was up to £1.05m compared with £266,000.

## comment

Efficient use of the scalpel has much to do with The Post and

Echo's recovery, which is even more spectacular at the trading level. In 1980 the Liverpool Daily Post's battle with the NGA had cost £1.3m above the line, and a similar amount in 1981. The 75 per cent cost streamlining UK newspaper division has now responded with a £1.7m turnaround, despite a further decline in advertising revenues.

In Canada too, increased efficiency with the advent of direct entry systems has helped. The 75 per cent cost surge in profits from paper and packing is more surprising. The benefits of surviving the capacity shake out is a factor, but further improvement will depend on getting increased throughput from the new Sandy factory.

Turnover for the year rose by £13.24m to £82.57m. Tax took £1.3m against £398,000 while interest was up to £1.05



## A contract a foreigner was sure to win

**By Robert Gibbens in Montreal**

in Florida, which until recently was run by Mr Edward Acker, who now heads Pan Am, claimed the deal was not in the public interest because Pan Am already owned significant U.S.-Latin American route rights. Eastern Airlines claimed that the deal was tantamount to making Pan Am the exclusive U.S. airline in South America. Both Air Florida and Eastern are present in the South American market. The stakes are particularly high as Pan Am, Air Florida and Eastern are all owned by the same man, which is fast becoming the main gateway to the Americas. Moreover, about 80 per cent of Braniff's Latin American flights originate in Miami.

**BY OUR FINANCIAL STAFF**

At the operating level the bank was in the black by F1 17.3m last year, with most of the slightly improved F1 110.7m profit from its loan division offset by almost doubled losses of F1 93.4m in the property division. In 1980 there was a F1 54.5m operating profit

Nova has capital commitments of more than C\$2bn in the next two or three years for oil and gas exploration and development, heavy oil development in Saskatchewan for petrochemicals and its equity role in the Alaska Highway gas pipeline in Canada.

## Safra to meet with Republican

BY WILLIAM HALL, BANKING

MR EDMOND SAFRA, who con-

**ge TDBH**  
**ic New York**  
**CORRESPONDENT**  
roughly three times as large as

just been taken over and its new masters, Wheelabrator-Frye, has firm ideas about what the company wanted to do with it.) But the MTA did succeed in getting tenders from Bombardier of Canada and Francorail of France, though they were never firmly in the running because

The MTA also noted that had the deal gone to Budd, it would ultimately benefit a foreign company too, and many of the parts would have been made abroad. Budd may still get a look in, however. This week's deal is only the first stake in a massive

supplied the new subway systems in Cleveland and Washington, DC. Siemens DiWag of West Germany is making trams for San Diego and Franco-Beige is supplying cars for the new mass transit system in Atlanta, Georgia.

BY WILLIAM HALL, BANKING CORRESPONDENT

TRADE DEVELOPMENT BANK		
	Holding in figures	
	Attributable profits (\$m)	Total Assets (\$bn)
1974	20.8	2.14
1975	21.6	2.64

The boards of TDBH and RNYC said yesterday they had decided after careful consideration of a preliminary internal study to investigate further the possibility of an amalgamation. It has not yet been decided

which entity would be the ultimate parent company but at the moment it seems more likely that Republic National will emerge as the top company.

Although established some years after the Swiss bank, it has been growing more rapidly and its assets of \$7.7bn are

## BY ALAN FRIEDMAN

spectrum is the new \$150 million 10-year issue for Banobras, the Mexican public works financing bank. S. G. Warburg is leading the offer, which provides a 17½ per cent coupon at par and a bondholder's redemption option after five years.

From Tokyo comes the news that a planned \$100m conversion

coupon was cut from 84 to 81 per cent for this popular name.

● Peter Montagnon, adds Kansas City Power and Light has arranged a \$100m, three year revolving Eurocredit under the sole lead management of

The list shows the 300 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices which will be published next on Tuesday March 23. Closing prices on March 15.

S. DOLLAR STRAIGHTS		Changes on					OTHER STRAIGHTS		Changes on						
Issued	Bid	Offer	day	week	Yield	Issued	Bid	Offer	day	week	Yield				
Ingham-Busch 16 $\frac{1}{2}$	88	100	103 $\frac{1}{2}$	104 $\frac{1}{2}$	+0 $\frac{1}{2}$	+0 $\frac{1}{2}$	15.46	Can. Unities 17 86	CS	50	156	89 $\frac{1}{2}$	0	-0 $\frac{1}{2}$	15.46
Sp. Fin. Co. 17 $\frac{1}{2}$	85	80	105 $\frac{1}{2}$	105 $\frac{1}{2}$	0	-0 $\frac{1}{2}$	15.35	CIBC 15 $\frac{1}{2}$ 89	CS	75	156	96 $\frac{1}{2}$	0	-0 $\frac{1}{2}$	17.81

94-88		99-100	+0%	+0%	8.76
land, Rep. of 104-86	100	102	+0%	+1%	9.70
er-American 10-91	100	102	+0%	+1%	9.57
er-American 104-91	100	103	+0%	+1%	9.70

Change on				
	Issued	Bid	Offer	Yield
STRAIGHTS				
an Dev. Bt. 8% 91...	75	89 1/2	100 1/2	0 - 1/2 8.25

and, Rep. of 8% 87	15	89% 100%, 0 -0%	8.27
-Amer. Dev. 8% 81	15	101% 102%, 0 -1%	8.53
air Airlines 7% 87	9	97% 98% +0% +0%	8.39
and Zealand 8% 87	16	89% 100%, 0 -0%	8.30

**Issue Price 100 per cent.**

**Salomon Brothers International  
Deutsche Bank Aktiengesellschaft  
Merrill Lynch International & Co.  
Orion Royal Bank Limited  
Swiss Bank Corporation International Limited  
Wood Gundy Limited**

<b>Algemeene Bank Nederland N.V.</b>	<b>Amro International Limited</b>	<b>Banca Commerciale Italiana</b>	<b>Banca del Gottardo</b>
<b>Bank of America International Limited</b>	<b>Bank Julius Baer International Limited</b>	<b>Bank of Helsinki</b>	<b>Bank of Montreal</b>
<b>Bank Leu International Ltd.</b>	<b>Banque Bruxelles Lambert S.A.</b>	<b>Banque Générale de Luxembourg S.A.</b>	<b>Bank of London</b>
<b>Banque Internationale à Luxembourg S.A.</b>	<b>Banque Nationale de Paris</b>	<b>Banque Paribas</b>	<b>Bank of New York</b>
<b>Baring Brothers &amp; Co., Limited</b>	<b>Bayerische Hypotheken- und Wechsel-Bank Aktiengesellschaft</b>	<b>Bayerische Vereinsbank Aktiengesellschaft</b>	<b>Bear, Stearns &amp; Co. Borgen Bank</b>
<b>Bayerische Landesbank Girozentrale</b>	<b>Bayerische Vereinsbank Aktiengesellschaft</b>	<b>Bear, Stearns &amp; Co. Borgen Bank</b>	<b>Bernhardini &amp; Co. Bank</b>
<b>Berliner Handels- und Frankfurter Bank</b>	<b>Bijlth Eastman Paine Webber International Limited</b>	<b>Burns Fry Limited</b>	<b>Bank of China</b>
<b>Chase Manhattan Limited</b>	<b>Chemical Bank International Group</b>	<b>Christiansen Bank og Kreditkasse</b>	<b>Bank of India</b>
<b>Citigroup International Group</b>	<b>Compagnie de Banque et d'Investissements, CRI</b>	<b>Continental Illinois Limited</b>	<b>Bank of Japan</b>
<b>Copenhagen Handelsbank</b>	<b>County Bank Limited</b>	<b>Creditanstalt-Bankverein</b>	<b>Credit Commercial de France</b>
<b>Crédit Industriel et Commercial</b>	<b>Crédit Lyonnais</b>	<b>Credit Suisse First Boston Limited</b>	<b>Daiwa Europe Limited</b>
<b>Dean Witter Reynolds Overseas Ltd.</b>	<b>Den norske Kreditbank</b>	<b>DG Bank Deutsche Genossenschaftsbank</b>	<b>Deutsche Bank Aktiengesellschaft</b>
<b>Deutsche Girozentrale-Deutsche Kommunalbank</b>	<b>Dresdner Bank Aktiengesellschaft</b>	<b>Domination Securities Amos Limited</b>	<b>European Banking Company Limited</b>
<b>Gefina International Limited</b>	<b>Girozentrale und Bank der Österreichischen Sparkassen Aktiengesellschaft</b>	<b>Genossenschaftliche Zentralbank A.G.-Vienne</b>	<b>Goldman Sachs International Corp.</b>
<b>Handelsbank N.W. (Overseas) Limited</b>	<b>Hill Samuel &amp; Co. Limited</b>	<b>Kaiserslautern-Oslo-Frankfurt</b>	<b>Kaukasus-Oslo-Frankfurt</b>
<b>Kleinwort, Benson Limited</b>	<b>Kuwait International Investment Co. s.a.k.</b>	<b>Kuwait Investment Company (S.A.K.)</b>	<b>LCIB International Limited</b>
<b>Lazard Freres &amp; Co.</b>	<b>Lehman Brothers Kuhn Loeb International, Inc.</b>	<b>Manufacturers Hanover Limited</b>	<b>Merck, Finck &amp; Co. Limited</b>
<b>McLeod Young Weir International Limited</b>	<b>Midland Doherty Limited</b>	<b>Morgan Montagu &amp; Co. Limited</b>	<b>Morgan Stanley International</b>
<b>R. Metzler seel. Sohn &amp; Co.</b>	<b>Morgan Guaranty Ltd</b>	<b>Nomura International Limited</b>	<b>Norddeutsche Landesbank Girozentrale</b>
<b>Morgan Grenfell &amp; Co. Limited</b>	<b>Norfolk International Limited</b>	<b>Norddeutsche Landesbank Girozentrale</b>	<b>Pearson, Hadding &amp; Pearson N.Y.</b>
<b>Niederländische Middenstandsbank N.V.</b>	<b>Norddeutsche Landesbank Girozentrale</b>	<b>Sal. Oppenheim jr. &amp; Cie</b>	<b>Schneider &amp; Co. Bankaktiengesellschaft</b>
<b>Norddeutsche Landesbank Girozentrale</b>	<b>Österreichische Länderbank</b>	<b>Schneider &amp; Co. Bankaktiengesellschaft</b>	<b>Skandinaviska Enskilda Banken</b>
<b>Privatbanken A/S Rabobank Nederland</b>	<b>M. Rothschild &amp; Sons Limited</b>	<b>Schneider &amp; Co. Bankaktiengesellschaft</b>	<b>Swedish Handelsbanken</b>
<b>Schäfer, Münchener, Hengst &amp; Co.</b>	<b>J. Henry Schroder Wegg &amp; Co. Limited</b>	<b>Société Générale</b>	<b>Union Bank of Finland Ltd.</b>
<b>Smith Barney, Harris Upham &amp; Co. Incorporated</b>	<b>UBS Securities Inc.</b>	<b>Verein und Westbank Aktiengesellschaft</b>	<b>Vontobel &amp; Co.</b>
<b>Tradition International S.A.</b>	<b>Verein und Westbank Aktiengesellschaft</b>	<b>Verein und Westbank Aktiengesellschaft</b>	<b>Verein und Westbank Aktiengesellschaft</b>
<b>Verband Schweizerischer Kantonalbanken</b>	<b>Verein und Westbank Aktiengesellschaft</b>	<b>Verein und Westbank Aktiengesellschaft</b>	<b>Verein und Westbank Aktiengesellschaft</b>
<b>Westfälische Landesbank Girozentrale</b>	<b>Verein und Westbank Aktiengesellschaft</b>	<b>Verein und Westbank Aktiengesellschaft</b>	<b>Verein und Westbank Aktiengesellschaft</b>

**By Our Financial Staff**

BOND CORPORATION  
ings, the main quoted c  
of Mr. Alan Bond, the  
Australian businessman

more than doubled its pre-tax profits, although a factor in the rise was an equity accounting principle. The company has announced a one-for-two issue to raise

The company's share price had fallen sharply last month amid rumours about the company's financial health. The share price recovered somewhat but the company said it knew the reason for the decline.

The shares closed at yesterday before the were relaxed, down 10 c the day and down slight the levels of last month rights issue will be at here

Pre-tax profits for months ended December totalled A\$9.45m A\$4.88m a year earlier. The latest period does not include contribution from Brewery the Perth c

Net profits rose from A\$38.55m, or to A\$61.5m, including a small extra gain. The accountancy boosted the net by A\$22.95m.

Interest charges rose to A\$1.85m from A\$6.85m. Turnover rose by 12 per cent to A\$1.25m from A\$1.12m.

## INTERNATIONAL COMPANIES and FINANCE

## Siemens sees no sustained recovery

By Stewart Fleming in Frankfurt

SIEMENS, the leading West German electronics group, warned shareholders yesterday that with sales growth of between 8 and 10 per cent the company could not expect a sustained improvement in operating profits this year.

Dr Karlheinz Kaske, the chief executive, told shareholders at the annual meeting, however, that a wide range of measures were being taken to improve productivity and earnings.

In the year ended September 1981 group net profits fell by 10 per cent to DM 508m (\$214m).

Dr Kaske disclosed that in the first five months of the current financial year sales revenues rose by 12 per cent to DM 14.6m and orders increased by 11 per cent. But he pointed out that the order book increase reflected a 22 per cent rise in foreign orders, which was matched by a 3 per cent fall in domestic orders.

However, capacity utilisation and employment levels in the company had improved. In fact, over the opening months of the year employment had fallen by 7,000, with domestic employment down by 4,200.

Dr Kaske conceded that with hindsight the company felt it had expended its data processing and electronic components divisions too quickly. Both divisions were heavy loss-makers last year, although losses "would be lower" in 1982.

Standard Elektrik Lorenz, the German subsidiary of STI, and one of Siemens' major competitors, is cutting its workforce by more than 600 because of a shortfall of orders.

## Swiss bank lifts profit

By John Wicks in Zurich

BANCA DELLA Svizzera Italiana is to pay an increased dividend of 32.2 per cent for 1981, after a 10 per cent improvement in net earnings to Swfr 28.7m (\$15.2m).

The bank, the biggest in Italian-speaking Switzerland, paid 12 per cent for 1980. It booked a 20.5 per cent rise in balance sheet total last year to Swfr 4,320m and growth this year is expected to lead to an increase in capital.

## Michelin warns of steep drop in 1981 earnings

BY TERRY DODSWORTH IN PARIS

MICHELIN, the multinational French tyre group, warned yesterday that its 1981 results would show a serious fall in consolidated profits, despite an increase in turnover and efforts to reduce stocks.

This year was unlikely to produce any improvement unless there was a significant upturn in the international economy, it added.

Michelin's statement, made

in documents accompanying a FFf 700m (\$137) bond issue, included few figures. But it broadly confirms private forecasts on the Paris Bourse about the company's recent performance.

Since depression set in throughout the European car commercial vehicle industry, Michelin says it has taken measures to adjust its production. These include extensive

lay-offs in its French plants, where stock levels last year grew by between 80 per cent more than normal for cars and 70 per cent for lorries.

The group, one of the largest quoted companies on the bourse after the Government's nationalisation programme, says that its action to cut costs should lead to an improvement in 1983, even if the economic situation does not improve.

## Dutch retailer passes dividend

By Our Financial Staff

KBB, the Dutch department stores group which recently announced major staff cuts, has emerged from 1981-82 with a pre-tax loss of Fl 34m (\$13m), nearly three-quarters of which was incurred during the second half of the year.

The loss, which follows on from a Fl 9.8m interim deficit, compares with a profit of Fl 16.2m in the year ended January 1981. It has forced KBB to pass its dividend, against a payment of Fl 3.60 a share in 1980-81.

Sales rose by a tenth to Fl 3.2bn but were down in volume terms. With controls on consumer spending now in their third year, retail sales in Holland have been weak. KBB experienced a 5 per cent decline in consumer spending last year which, coupled with increased competition and heavier costs, has been responsible for the company's slide.

Operating losses totalled Fl 14.5m, against a profit of Fl 16.2m. KBB points out that losses arising from the closure of a store in Utrecht also contributed to the negative result. Last December, the company announced plans to lay off between 1,300 and 1,500 of its 12,000 staff.

The following is the Statement of the Chairman and President, MR. J. RIBOUD, which has been circulated to Shareholders with the Annual Report for 1981.

In 1981, net income crossed the billion dollar line. Quite a different order of magnitude from the figure I remember when I joined Schlumberger some thirty years ago. Luck, circumstances, hard work, a bit of everything, I suppose, made it happen.

Net income for the year was \$1.27 billion, up 37% over the previous year, if one excludes the non-recurring profit on the sale of the Rowan shares in the last quarter of 1980. Revenues of almost \$6 billion show an increase of 19%, on a comparable basis.

Quarter by quarter, the year started strong and finished strong. Net income improvement was 42% for the first quarter, 27% for the second, 26% for the third and 44% for the last quarter excluding the Rowan profit.

As the year unfolded, the fundamental trends did not change appreciably.

Oilfield activity was very strong, throughout the year, throughout the world. Canada was probably the only exception to a global picture of intense exploration and development of gas and oil fields, by national companies as well as by private companies. The wireline, or logging business, had the most spectacular growth but was followed closely by all the other oilfield services.

Fairchild lost money during the year. Not a spectacular amount, but nevertheless lost money. We have to go back quite a few years to see a major unit of Schlumberger in the red. It is not surprising. The semiconductor business is in the doldrums, and yet we accelerated the investment program, the Research & Engineering budget, the strengthening of management.

Measurement & Control units were profitable, although the business environment was affected in the United States by the economic slowdown and in Europe by the wide fluctuations of currencies.

To a lesser extent, two other factors, lower taxes and higher interest income, contributed to this record year. Overall effective tax rate was down 3 points, compared to the previous year. This reduction results from a lower proportion of income from high tax countries and from tax credits in the United States and in the United Kingdom. The second factor is the increased liquidity generating higher interest income. In 1981, fixed assets additions were over a billion dollars, another record. Yet, liquidity increased almost by a quarter of a billion dollars. At year-end, \$1.68 billion were invested in short-term securities.

A shareholder wrote me recently: "The better your results, the higher your earnings, the lower your stock price. Please explain. I am a stock market expert, nor do I always understand the movements of Wall Street. However, I believe that the public has two main worries concerning the future. What will happen to the price of crude oil? What will happen to the economy in the United States?"

It is not so long ago that the media were predicting the end of our industrial civilization because the world was running out of oil. Today the same media are full of oil. There is a very short time lag between too much and too little, between scarcity and surplus. Two years ago, almost to the day, I wrote: "Thirty years in the oil industry have taught me a simple conviction."

If you want to find oil, you have to look for it. If you look, you find oil. The search has started and the sands are coming in." So goes the world, in cycles. There is no doubt that the steep and repeated increases in the price of oil have brought about significant discoveries and a noticeable reduction in the demand for hydrocarbons. The slowdown of the world economy has accelerated the process. Will this result in the price of crude oil tumbling down, playing havoc with the cash flow of oil operators and cutting down exploration programs? The risk exists and it scares the stock market. The search is threatening in this risk. Obviously, I do not have the answer but years of experience might help.

At the present world price of oil, drilling for oil in the United States is very profitable. It would take a major drop in price to make it unprofitable.

Ten years ago, outside North America, the list of our ten top customers were the nine largest publicly held oil companies and one national oil company. Last year, the same list showed nine national oil companies and only one private company. It would take a major decline in the price of crude for the national companies to change drastically their exploration programs. Many countries are fighting for their energy autonomy as they fought for their political independence. They will do it even if there is a temporary surplus of oil.

Saudi Arabia had a determining role in stabilizing the price of crude when many experts were expecting \$40 or \$50 per barrel. I believe that Saudi Arabia has the means and the will to play the same role when the price is under pressure.

It is always easier to be pessimistic. It is always dramatic to announce the most pessimistic scenario. I do not think that the price of crude oil will tumble.

I am more concerned by the state of affairs in the United States than I am about the oil glut. The year 1981 was for many sectors, including our electronic business, a year of organized retrenchment. The downturn was more serious for semiconductors because a price erosion of great amplitude accompanied the reduction in orders and shipments. But there was no fear or panic. In January and February, the climate has changed. Business people are running scared. There is a simple reason. Except for short periods, the United States economy cannot function with rates of interest at 15% or above. Something has to give.

There again, it is a simplification to become a Cassandra. The worst will not happen, neither for the price of crude oil, nor will a major depression entrench itself in the United States. But 1982 will be difficult.

Meanwhile, life goes on. Three developments are currently requiring our efforts and should be reported.

★ The Wireline or logging business is still today our largest and most profitable business (45% of 1981 operating revenue), our fastest growing business (revenue increased worldwide 35% in 1981). We decided last autumn to reorganize our basic Wireline structure. This is the way it was announced:

"The organization of the Wireline has not changed appreciably in the last thirty years. It has grown, it has been decentralized, but the basic structure has not changed: two major centers, Houston and Paris, and one central research lab in Ridgefield, Connecticut.

To meet the growing demand for Wireline services, to decentralize further the field operations, to benefit from the technical and industrial progress outside of Europe and North America, a new center will be established in Japan. This third center, as the two others, will have engineering and manufacturing facilities and will provide technical coordination of field operations.

The new Wireline organization is:

- Wireline North America: the United States and Canada, manufacturing facilities in Houston and Austin, Texas.
- Wireline Atlantic: Europe, Latin America and Africa, engineering and manufacturing facilities in Clamart, France.
- Wireline Asia: Middle East, Far East, Australia, engineering and manufacturing facilities will be established in Japan.
- SDR, Ridgefield, Connecticut, responsible for research."

This is an important step for the Wireline. But it has further implications. It represents a pattern of management and structure that we will implement gradually over the next decade for our major product lines: drilling and production services, semiconductors, automatic test equipment, computer aided systems, electrical measurement.

As we grow, for each major product line or service, a small core of people will provide, on a world basis, direction, long term orientation, coordination of research, financial control.

★ This month, nine Schlumberger men lost their lives when the Ocean Ranger capsized offshore Newfoundland. The oldest was 31 years of age, the youngest was 24. We have known for years that exploration for oil and gas is dangerous. Drills do blow out, offshore units do capsize in tempests. On land, driving is a hazard. Our engineers and operators drive many miles to reach the well sites. They are young, they are enthusiastic, they have no fear. Safety is a remote worry. We are undertaking a major safety campaign.

★ On January 12, 1982, Applicon became part of Schlumberger. Applicon is one of the leading companies in the field of Computer Aided Design — CAD. This follows the acquisition a year earlier of MDSI, a pioneer in the field of Computer Aided Manufacturing — CAM. We are putting both companies under a single management. They will be part of a new Schlumberger unit called "Computer Aided Systems — CAS."

The long term future of Schlumberger has not changed. The temporary oil surplus or the recession in the United States economy does not alter our plans. We will be around for years to come as the best oilfield service company. We will put back Fairchild as one of the creative forces in the semiconductor business. We will be innovative and develop new products in the Measurement & Control units. We will be the leaders in the Computer Aided Systems technology.

## FIVE YEAR SUMMARY

	1981	1980	1979	1978	1977
(Amounts in millions except per share amounts)					
SUMMARY OF OPERATIONS					
Revenue:					
Oilfield Services	\$3,788	\$2,814	\$2,037	\$1,836	\$1,310
Measurement, Control & Components	1,995	2,070	1,513	983	850
Interest and other income	195	183	91	66	48
Gain on sale of Rowan shares	—	—	100	—	—
	\$5,978	\$5,137	\$3,641	\$2,884	\$2,208
% Increase over prior year	16%	41%	36%	22%	20%
Cost of goods sold and services	\$3,244	\$2,813	\$2,061	\$1,499	\$1,231
Operating income:					
Oilfield Services	\$1,702	\$1,184	\$809	\$648	\$540
Measurement, Control & Components	131	230	189	122	93
Eliminations	(25)	(14)	(14)	(8)	(1)
	\$1,808	\$1,400	\$984	\$764	\$632
% Increase over prior year	29%	42%	29%	21%	37%
Interest expense	\$108	\$102	\$52	\$18	\$16
Taxes on income	\$580	\$522	\$355	\$295	\$248
Net income	\$1,226	\$994	\$658	\$502	\$407
% Increase over prior year	27%	51%	31%	25%	37%
Per common share:					
Net income	\$4.37	\$3.47	\$2.30	\$1.75	\$1.39
Cash dividends declared	\$0.77	\$0.63	\$0.49	\$0.37	\$0.28
SUMMARY OF FINANCIAL DATA					
Net income as % of revenue	21%	19%	18%	19%	18%
Return on average stockholders' equity	34%	36%	31%	29%	26%
Fixed asset additions	\$1,063	\$748	\$503	\$383	\$213
Depreciation expense	\$433	\$323	\$242	\$184	\$159
Average number of shares outstanding	289	286	286	286	291
AT DECEMBER 31					
Working capital	\$1,637	\$1,249	\$1,066	\$910	\$811
Total assets	\$6,525	\$5,242	\$4,350	\$2,930	\$2,360
Long-term debt	\$278	\$238	\$490	\$85	\$56
Stockholders' equity	\$4,255	\$3,218	\$2,400	\$1,900	\$1,550

\* Net income includes \$70 million after-tax gain (\$0.24 per share) on sale of Rowan shares.  
 \*\* Results of Fairchild Camera and Instrument Corp. have been consolidated with Schlumberger beginning July 1, 1979.  
 \*\*\* Certain information relating to directors' share dealings and group companies, required by the Stock Exchange in London to be made available, may be expected during the next three months during normal business hours at Kleinwort, Benson Limited, 20 Fenchurch Street, London EC3P 3DB, from whom copies of the full Annual Report may be obtained.

## Kloekner to seek Bonn aid

BY JAMES BUCHAN IN DUISBURG

KLOECKNER-WERKE, the major West German steelmaker, expects to break even this year after suffering its worst year in 1980-81. Yet despite its optimism, based largely on the higher EEC steel prices now in force or expected later in the year, the Duisburg concern is to apply to Bonn for state assistance.

Herr Herbert Glenow, the chief executive, said that within the next three months he would present proposals for state funds to aid restructuring and the reduction of steel capacity.

Although Kloekner has long been regarded as a maverick among German steelmakers, Herr Glenow's intention is one more sign of the Ruhr's ever diminishing shyness about state aid in the face of huge subsidies to its European competitors. Herr Glenow referred to new figures prepared by the West German Iron and Steel Federation, which claim that steel companies elsewhere in Europe had received about DM 71.5m (\$30m) in aid since the start of the industry's crisis in 1975.

Last year, Kloekner recorded a loss of DM 86m on worldwide external sales of DM 5.7bn, compared with a break-even on sales of DM 5.9bn the year before. A major contributor to the poor performance, the company said, was the current European steel quota system which restricted its modern plant in Bremen to a mere 50 per cent of capacity.

Losses on the steel side, amounting to DM 44m, could not be balanced by a 20 per cent improvement in manufacturing earnings to DM 60m, a sector that has grown to account for 45 per cent of sales.

## OECD CAPITAL MARKETS REPORT

## Dollar share down as bond issues grow

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

NEW BOND issues in international capital markets ran at a record annual rate of \$76.5bn in the first two months of this year, sharply above the \$66.5bn figure in the final quarter of last year, according to latest statistics from the Organisation for Economic Co-operation and Development.

A sharp fall in fixed interest U.S. dollar bonds during the period was more than offset by issues in other currencies and zero-coupon bonds, floating rate notes and convertible bonds. The OECD uses the amount raised by a zero-coupon issue rather than its nominal value when compiling its figures.

Investing in non-dollar bond markets have become more willing to take a longer term view on prospects for interest rates which allowed an increased flow of new issues to be brought to these markets, the OECD says.

To some extent this relative shift in investors' attitudes has affected the Eurodollar bond market as well, the OECD says. The decline in issue volume of straight dollar bonds was particularly apparent in the New York-based Yankee sector, while secondary market prices of dollar Eurobonds have been much less volatile than those in the New York market.

Overall the dollar share of the new international bond market slipped to 59 per cent in the first two months from 63.2 per cent in the final 1981 quarter, the OECD says.

The OECD says. The next largest sector was again the Swiss franc market with a share of 15.7 per cent compared with 14.6 per cent.

But the OECD warns that any general movement towards lower long-term interest rates may be limited by continuing volatility of short-term rates and the higher volume of bonds reaching the market.

It says that the overall volume of funds likely to be raised in the international capital markets this year is still likely to remain little changed

on the underlying level of last year. This means about \$140bn to \$145bn, a figure which covers volume in both the bond and Eurocredit markets.

The volume of new Eurocredits during the first two months of the year was only \$73.5bn at an annual rate, the OECD figures show. This compared with \$103.8bn in the final quarter of 1981.

Wide average margins fell to 0.64 per cent from 0.69 per cent, there was a further fall in the average maturity of individual loans which was only seven years and six months compared with seven years and seven months in the preceding quarter. In the first quarter of 1981 the average maturity was eight years and four months.

No new credits were arranged with a 4 per cent margin, the OECD says, so that the average margin paid by OECD borrowers actually rose to 0.49 per cent from 0.46 per cent.

Commenting on trends in the syndicated loan market, the OECD says that supply/demand relationships point towards some further hardening of credit conditions, though this will be uneven with significantly tighter terms for lesser credit risks.

## INTERNATIONAL CAPITAL MARKET CONDITIONS

Volume (\$bn) at annual rate

	1st	2nd	3rd	4th	1982
	1st	2nd	3rd	4th	(Jan/Feb)
Bonds of which:	32.8	50.7	41.7	66.5	76.5
Eurodollar	13.5	20.5	20.8	30.7	42.7
U.S. domestic	3	11.2	4.9	11.3	2.4
Eurocredits	68.5	105.3	272.5*	103.8	78.5
Average margin (%)	7	7	0.69	0.69	0.49
Average life (years/month)	8/4	7/9	7/10	7/7	7/6

\* Includes credits arranged by U.S. companies in connection with mergers and acquisitions.

Source: OECD Financial Market Trends


## Uddeholm goes into the red

By William Duffell, Nordic Editor, in Stockholm

UDDEHOLM, THE Swedish special steels manufacturer, reports a SKr 302m decline in earnings from a pre-tax profit of SKr 63m in 1980 to a loss of SKr 329m (\$57m) last year. The board proposes to pass the shareholders' dividend for the sixth year in a row.

Sales slumped from SKr 3.57bn to SKr 3.25bn, demand for special steels being weak in all Uddeholm's major markets throughout the year. Lower deliveries and stock reductions meant that group steel output fell by between 7 and 8 per cent.

In addition to lower sales volume, the result was depressed by one of costs on a restructuring programme. The restructuring, it is calculated, should eventually save the group about SKr 250m a year.



## IRELAND

# U.S. \$100,000,000

## Floating Rate Notes Due 1989

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest for the six months 19th March, 1982 to 20th September, 1982, has been fixed at 15% per annum and that the coupon amount payable on Coupon No. 1 will be U.S. \$7,965.28.

**The Sumitomo Bank, Limited.**  
Reference Agent

## BASE LENDING RATES

A.B.N. Bank	13	%	Grindlays Bank	13	%
Allied Irish Bank	13	%	Guinness Mahon	13	%
American Express Bk.	13	%	Hambros Bank	13	%
Amro Bank	13	%	Heritable & Gen. Trust	13	%
Bank of Montreal	13	%	Hill Samuel	13	%
Bank of New York	13	%	C. Hoare & Co.	13	%
Bank of Paris	13	%	Hongkong & Shanghai	13	%
Bank of Rome	13	%	Kingsnorth Trust Ltd.	14	%
Bank of Scotland	13	%	Knightsley & Co. Ltd.	13	%
Bank of Spain	13	%	Lloyds Bank	13	%
Bank of Sweden	13	%	Mallinham Limited	13	%
Bank of Switzerland	13	%	Edward Manson & Co.	14	%
Bank of the West	13	%	Midland Bank	13	%
Bank of Tokyo	13	%	Samuel Montagu	13	%
Bank of the Middle East	13	%	Morgan Grenfell	13	%
Bank of the Pacific	13	%	National Westminster	13	%
Bank of the East	13	%	Norwich General Trust	13	%
Bank of the South	13	%	P. S. Refson & Co.	13	%
Bank of the North	13	%	Roxburgh & Guarantee	14	%
Barclays Bank	13	%	E. S. Schwab	13	%
Beneficial Trust Ltd.	14	%	Stavros Bank	13	%
Brennar Holdings Ltd.	14	%	Standard Chartered	13	%
Bank of the Middle East	13	%	Trade Dev. Bank	13	%
Brown Shipley	13	%	Trustee Savings Bank	13	%
Cadogan Permt Trust	14	%	TCB Ltd.	13	%
Castle Court Trust Ltd.	13	%	United Bank of Kuwait	13	%
Cavendish City Trst Ltd.	13	%	Whiteaway Ltd.	13	%
Cayer Ltd.	13	%	Williams & Glyn's	13	%
Cedra Ltd.	13	%	Winttrust Secs. Ltd.	13	%
Charterhouse Japhet	13	%	Yorkshire Bank	13	%
Choulartons	14	%			
Citibank Savings	13	%	■ Members of the Accepting House Committees.		
Clydesdale Bank	13	%	7-day deposits 10%.	1-month	10%
Credit Agricole	13	%	Short term	25.00/12	10%
Consolidated Credits	13	%	1-month 12.6%.		
Co-operative Bank	13	%	† 7-day deposits on sums of over £10,000 10%, £10,000 up to £10,000 11%, £50,000 and over 11.5%.		
Corinthian Secs.	13	%	† Call deposits £1,000 and over 14%.		
The Cyprus Popular Bk.	13	%	† 30-day deposits over £1,000 11.5%.		
Cunard & Waple	13	%	† Demand deposits 10.4%.		
Eagle Trust	13	%	† Mortgage base rate.		
E.T. Trust	13	%			
Exeter Trust Ltd.	14	%			
First Nat. Fin. Corp.	13	%			
First Nat. Sec. Corp.	13	%			
First Nat. Trust	13	%			
First Nat. Trust	13	%			

This announcement appears as a matter of record only

# SAE

Società Anonima Elettrificazione S.p.A.

## U.S.\$ 23.000.000

Medium Term Loan

Lead managed by

Compagnia Privata di Finanza e Investimenti S.p.A.  
Italian International Bank Limited  
RASFIN S.p.A.

Managed by

Banco di Napoli - New York Branch  
BAI Bank (Cayman) Ltd.  
Société Générale de Banque S.A.

Provided by

BAI Bank (Cayman) Ltd.  
Banca Nazionale dell'Agricoltura - New York Branch  
Banco di Napoli - New York Branch  
Banco di Santo Spirito (Luxembourg) S.A.  
Italian International Bank Limited  
Société Générale de Banque S.A.  
Turis AG - Finanz- und Verwaltungsgesellschaft

Agent

Italian International Bank Limited



February 1982

Companies  
and Markets

## INTERNATIONAL COMPANIES and FINANCE

### Swire Properties shows 59% gain

By Our Hong Kong Correspondent

SWIRE PROPERTIES, a quoted subsidiary of the Swire Group, has reported attributable profits for 1981 of HK\$801.3m (US\$137m), an increase of 59 per cent from 1980's HK\$505.2m. A final dividend of 32 cents a share makes a total of 48 cents for the year, against an adjusted 40 cents a year earlier.

Sale of the company's Oriental Plaza in Kuala Lumpur contributed a profit of HK\$191m. Hong Kong profits advanced from HK\$492.7m to HK\$609.2m, but U.S. profits fell back from HK\$22.7m to HK\$13.7m. Turnover rose 36 per cent to HK\$1.43bn (US\$244m).

An investment property revaluation has thrown up a surplus over the year of HK\$496.5m which together with retained profits boosts fully-diluted net assets per share from HK\$7.78 to HK\$9.31. Fully-diluted earnings per share were 134 cents in 1981, against 85 cents in 1980.

Mr Duncan Bluck, chairman, expects rental income to increase by at least 50 per cent this year, with substantial further increases in following years as new investment properties come on stream.

He cautions, however, that in 1981 "there was a substantial reduction in the number of new sales of residential units" in Hong Kong, which if sustained would have "an adverse effect on 1982 profits as compared with results achieved in 1981."

But because of reserves of land and development stock acquired at relatively low prices Swire Properties was "well placed to meet these difficulties."

### ANNUAL FORECAST REVISED DOWNWARD

## Modest profits growth at Sony

BY YOKO SHIBATA IN TOKYO

SONY CORPORATION, the major Japanese consumer electronics company, has reported modest growth in consolidated sales and profits for the first quarter ended January 31. Net profits rose by 4.9 per cent to ¥20.8bn (\$87.5m) on sales ahead by 9.7 per cent to ¥272.98bn (\$1.14bn). The company had said in December that it hoped to maintain a sales growth rate of at least 15 per cent this year and has now revised downward its full year forecast.

Brisk sales of video tape recorders (VTRs) and higher export profits because of the

yen's depreciation offset lower sales at home. Domestic sales slid by 17.6 per cent, reflecting the sluggish state of the Japanese economy, to account for 27 per cent of total turnover. Overseas sales rose by a similar amount to account for 73 per cent of the total.

Sales of VTRs and related cameras and tapes rose by 29.8 per cent to take a 40.6 per cent share of total sales against 32.7 per cent a year earlier. Volume sales of VTRs reached 500,000 units, up 53 per cent from the previous year. The company is sticking by its plan

to produce 2.5m VTRs this year. Sales of audio equipment declined by 15.7 per cent to account for 24.6 per cent of the total, despite buoyant sales of Walkman stereo cassette players, which are projected to reach 3m units this year.

The company blamed the current audio industry recession on a lack of replacement demand as consumers wait for new technology digital audio products to reach the market by year end. Sales of television sets declined by 5.9 per cent to take a 24.2 per cent share of sales despite a 10 per cent rise in sales in the U.S. and 30 per cent

in Europe. Sony adopted the U.S. Financial Accounting Standard 52 for foreign currency translations instead of its predecessor FAS 8. Year earlier figures were restated to the new standard and the company reported a foreign exchange loss of ¥1.02bn for the quarter against a gain of ¥2.79bn. The company expects full year consolidated sales to rise by between 10 per cent and 15 per cent. It expects to at least match last year's net profits. Exchange rate fluctuations make a more precise forecast impossible.

## Hutchison share deals cleared

BY ROBERT COTTRELL IN HONG KONG

HONG KONG'S Insider Dealing Tribunal has given a clean bill of health to dealings in Hutchison Whampoa shares around the time that the Hong Kong and Shanghai Banking Corporation sold its 22 per cent stake in the property and trading group to Mr Li Ka-shing's Cheung Kong (Holdings) in 1979.

The tribunal concludes that Hong Kong stockbroking circles knew of the deal several hours before it was announced at 11.30 pm local time on September 25, 1979.

As a result, says the tribunal, details were passed to London and trading in Hutchison shares increased there. But the leakages were so widespread that

dealers making use of the information were not "culpable" under the insider dealing ordinance.

The tribunal specifically exonerates the directors and staff of Hong Kong Bank, its merchant bank subsidiary Wardley, Hutchison and Cheung Kong from any insider trading or passing of price-sensitive information. It traces a prime leak back to a translator employed by the bank's external public relations consultants.

The translator, a part-time journalist, is said to have alerted a reporter colleague to the deal some five hours before its announcement. But because she did not do so "with a view to profit," says the tribunal, her

actions "did not amount to insider dealing." The case is the first to be referred under the ad hoc tribunal system, and the report makes several recommendations for the future.

The council of the London Stock Exchange is criticised for a "disappointing lack of co-operation," and the tribunal recommends that "representations be made at the highest level... to persuade the council to change their policy and, if necessary, their rules."

The tribunal also suggests that it be permitted to follow less cumbersome procedure, and criticises elements of Hong Kong insider dealing law for being "unhappily drafted."

## Sharp rise in earnings at Sage Holdings

By Thomas Sparks in Johannesburg

SAGE HOLDINGS, the South African investment company, increased its pre-tax profit by 57.5 per cent to R14.6m (\$14m) in 1981 from R9.1m in 1980. The directors say that each of the company's major divisions operated satisfactorily and recorded high rates of growth throughout the year.

Construction and land development provided 43.1 per cent of the year's earnings; investment and management services 26.6 per cent; insurance and financial planning 18.4 per cent and property investment and management 11.9 per cent.

This year "management" expects the construction and land development operations to slow down while the property investment and management interests should quicken.

Last year Sage was engaged in an unsuccessful bid for Unisec, the investment holding company. This resulted in Sage holding 20 per cent of Unisec's equity. Starting this year Sage proposes to account for its share in the results of associates and investments in which it has a stake of at least 20 per cent. Had 1981's figures been equity accounted earnings per share would have been 55.05 cents rather than the 48.41 cents reported. In 1980 earnings were 31.2 cents a share. A total dividend of 27 cents has been declared against 20 cents in the previous year.

## Island and Peninsula recovers

BY WONG SULONG IN KUALA LUMPUR

ISLAND AND Peninsula, the Malaysian property, plantation and mining group, reversed a decline in half-year earnings to record a 20 per cent rise in profits for the year ended January.

The group had registered a 26 per cent drop in interim earnings, but picked up strongly during the second half so that pre-tax profits rose to 32m ringgit (U.S.\$14m) against 26.6m ringgit previously. Net profit was 17.8m ringgit against 14.8m ringgit.

The good performance came almost exclusively from its property division, with higher sales of completed houses.

Austral Enterprises, its publicly listed plantation subsidiary, had net earnings of 2.8m ringgit, or 600,000 ringgit less than before, while its Talam Mines subsidiary saw earnings fall by 34 per cent to 306,000 ringgit.

I and P is paying a final 12 cents a share dividend, making 25 cents for the year, or 30 cents compared with 23 cents

previously, after adjusting for a scrip issue.

Austral is paying 12 cents, making a total of 22 cents (33 cents compared with 24 cents after adjustment for bonus issue) while Talam is maintaining an unchanged 15 cent dividend.

I and P whose property interests are concentrated in Penang and northern Malaysia, last year bought a 770 hectare estate near Kuala Lumpur for 91m ringgit for housing.

# HILLS BROS COFFEE, INC.

## \$50,000,000

### Three-year Revolving Credit

MORGAN GUARANTY TRUST COMPANY OF NEW YORK  
BANK OF AMERICA NT & SA  
THE BANK OF CALIFORNIA, N.A.  
CITIBANK, N.A.  
CONTINENTAL ILLINOIS NATIONAL BANK  
AND TRUST COMPANY OF CHICAGO  
WELLS FARGO BANK, N.A.

AGENT:

MORGAN GUARANTY TRUST COMPANY OF NEW YORK

*Morgan Guaranty Trust Company of New York served as financial advisor to Hills Bros. Coffee, Inc. in arranging the transaction and in the plan of recapitalization which preceded it.*

This announcement appears as a matter of record only.

March 9, 1982

This announcement appears as a matter of record only. The Notes have not been registered for offer and sale in the United States. However, certain non-public offers and a non-public sale to an institutional investor were made in the United States.

## \$225,000,000

### Baker International Finance N.V. Zero Coupon Guaranteed Notes due February 25, 1992

Unconditionally Guaranteed by

#### Baker International Corporation

Offering Price 24.70% and Accrued Amortization of Original Issue Discount, if any, from February 25, 1982

Goldman Sachs International Corp.

Blyth Eastman Paine Webber  
International Limited

S. G. Warburg & Co. Ltd.

Algemene Bank Nederland N.V.

Banque Bruxelles Lambert S.A.

Banque Nationale de Paris

Banque de Paris et des Pays-Bas

Deutsche Bank Aktiengesellschaft

Morgan Grenfell & Co.  
Limited

J. Henry Schroder Wagg & Co.  
Limited

Swiss Bank Corporation International Limited

March 19, 1982

### Notice of Merger of INA Corporation

To Holders of

#### INA OVERSEAS FINANCE N.V.

8 1/2% Convertible Subordinated Debentures Due September 1, 2000

NOTICE IS HEREBY GIVEN pursuant to Section 1106 of the Indenture dated as of September 1, 1980 entered into among INA Overseas Finance N.V., a Netherlands Antilles Corporation, INA Corporation, a Pennsylvania Corporation ("INA"), as Guarantor, and Morgan Guaranty Trust Company of New York, as Trustee, in connection with the issuance of the above-referenced Debentures, that pursuant to the terms and conditions of the Agreement and Plan of Merger dated as of November 6, 1981, as amended, by and among INA, Connecticut General Corporation, a Connecticut Corporation, and North American General Corporation (now known as "CIGNA Corporation" ("CIGNA")), a Delaware Corporation, and the Related Plan of Merger, by and among INA, CIGNA and INA Merger Corporation, a Pennsylvania Corporation ("IMC"), INA will merge with and into IMC, a wholly-owned subsidiary of CIGNA ("the Merger"). Under the terms of the Merger each INA Common Share outstanding on the date of the Merger will be converted into 0.8534 of a share of CIGNA Common Stock, par value \$1 per share, and 0.158 of a share of \$2.75 Cumulative Convertible Preferred Stock, Series A, par value \$1 per share, of CIGNA.

The Merger is expected to become effective on March 31, 1982, and it is expected that holders of record of INA Common Shares will be entitled to exchange such shares for securities of CIGNA deliverable upon the Merger on March 31, 1982.

INA CORPORATION

March 19, 1982

### Notice of Merger of INA Corporation

To Holders of

#### INA OVERSEAS FINANCE N.V.

6% Convertible Subordinated Debentures Due 1997

NOTICE IS HEREBY GIVEN pursuant to Section 1106 of the Indenture dated as of August 1, 1977 entered into among INA Overseas Finance N.V., a Netherlands Antilles Corporation, INA Corporation, a Pennsylvania Corporation ("INA"), as Guarantor, and Morgan Guaranty Trust Company of New York, as Trustee, in connection with the issuance of the above-referenced Debentures, that pursuant to the terms and conditions of the Agreement and Plan of Merger dated as of November 6, 1981, as amended, by and among INA, Connecticut General Corporation, a Connecticut Corporation, and North American General Corporation (now known as "CIGNA Corporation" ("CIGNA")), a Delaware Corporation, and the Related Plan of Merger, by and among INA, CIGNA and INA Merger Corporation, a Pennsylvania Corporation ("IMC"), INA will merge with and into IMC, a wholly-owned subsidiary of CIGNA ("the Merger"). Under the terms of the Merger each INA Common Share outstanding on the date of the Merger will be converted into 0.8534 of a share of CIGNA Common Stock, par value \$1 per share, and 0.158 of a share of \$2.75 Cumulative Convertible Preferred Stock, Series A, par value \$1 per share, of CIGNA.

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INA CORPORATION

March 19, 1982

This announcement appears as a matter of record only March 1982

## General Purpose Lines of Credit

to finance exports of capital plant and equipment from the United Kingdom to the Republic of India

Arranged  
and  
Provided by

Lloyds Bank Plc  
£7,500,000

Lloyds Bank International Limited  
US\$7,500,000

to State Bank of India

Guaranteed by

The Secretary of State of Her Britannic Majesty's Government acting by Export Credits Guarantee Department



Lloyds  
Bank

Lloyds Bank  
International

Handwritten signature: محمد صالح

Financial Times Friday March 19 1982

Companies and Markets **INTL. COMPANIES & FINANCE****South Africa borrows abroad**

SOUTH AFRICA is back with a vengeance in the international capital markets. After several years of modest borrowing and net repayment of outstanding debts, there has been a flurry of activity in recent months.

A regular flow of bonds and medium-term credits has been accompanied by a marked increase in short-term borrowing by both commercial banks and the South African Reserve Bank.

Details of loans are hard to come by, for South African borrowers, both private and government, are notoriously secretive, for fear of attracting political hostility.

However, there is no doubting the increase in tempo. The list includes:

● **ABCL**, the largest South African chemicals producer in which Britain's ICI and the De Beers mining group own equal 40 per cent shares, which is seeking a \$100m seven-year credit in December.

● **Escom**—the Electricity Supply Commission—which is likely to be by far the biggest South African borrower of medium-term funds this year, which launched a \$250m seven-year credit in February. It has also placed lately a Swiss franc bond, with Union Bank of Switzerland as lead manager, with a coupon of 8½ per cent, maturing in 1985, and priced at par.

● **South African Transport Services (SATS)**, the state enterprise which runs the railways, harbours, and South African Airways, has already negotiated three medium-term credits, each for around \$25m, this year.

● **Soweto**, the black township outside Johannesburg, currently investing in a major electrification scheme, which is due to sign a loan agreement for \$100m, again for seven years, next month.

At the same time as medium-term borrowers have returned to the markets, there has been a sharp increase in short-term borrowing by the banking sector. Short-term foreign liabilities of the banks (mostly with maturities of three to six months), more than quadrupled in the first nine months of last year, from R632m (\$829m) to R2,59m (\$2,76m).

Meanwhile, the South African Reserve Bank's borrowing to support the balance of payments jumped from nothing at the end of 1980 to R850m last October.

The Reserve Bank also encouraged the commercial banks and trading companies to borrow abroad—and thereby to protect the balance of payments—by adjusting the rand's forward exchange rate against other currencies. At the end of February, private banks arranged loans worth several hundred million rand, when the domestic money market was at its tightest.

The return to foreign borrow-

ing, as with most other recent developments in the South African economy, is a function of the fall in the gold price. The gold movement turned the country's R2,8bn current account surplus of 1980 into a R45m deficit last year. Even if the gold price recovers to an average \$450 this year (it is currently below \$325 an ounce), the 1982 deficit will exceed R2bn.

The squeeze on the balance of payments has drained the economy of liquidity, and pushed domestic interest rates up to record levels, with the commercial banks' prime lend-

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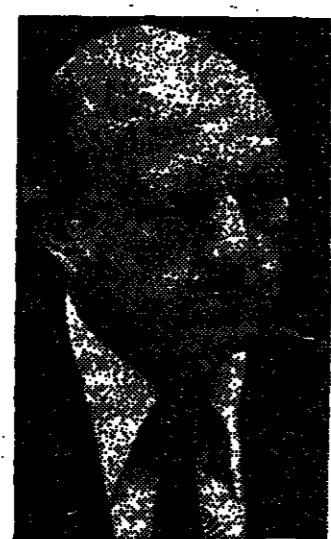
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South Africa is increasing its calls on the international capital market, against the background of the fall in the price of gold, but political pressures constrain it to do so discreetly. "It took us some time to get (interest) margins down," says Dr Joep de Loor (left), the Director General of Finance, "and we would not want them to go higher."

ing rate on 20 per cent. This in turn has made overseas interest rates attractive once again, high though they may be.

Balance of payments financing has continued at a high level. The Reserve Bank pledged a quarter of its gold holding—or some 3.1m ounces—as collateral for foreign exchange in gold "swaps" with foreign banks late last year. In February, it activated about \$300m in International Monetary Fund facilities.

Corporate borrowing has been required to finance large inventories and ambitious investment programmes, at a time of dwindling cash flows because of the economic downturn.

ABCL's credit, believed to be the largest Eurobond borrowing made by a privately-owned South African company, had Citicorp as the lead manager, and carried a spread of ½ of a point above the London interbank offered rate (Libor).

Several other companies are understood to have borrowed smaller amounts, while others have negotiated, but not yet drawn, substantial lines of credit. Barlow Rand, South Africa's largest industrial group, began arranging medium-term credit facilities with foreign banks 18 months

and another R1.1bn in buyers' and suppliers' credits. Its \$250m credit in early February carried a spread of 0.75 per cent above Libor, with Banque de l'Indochine et de Suez as lead manager.

SATS declines to reveal any details of the pricing of its credits, but plans to raise a total of around R450m in new foreign borrowing for the financial year to March, 1983, including a R50m floating rate bond later this year.

Isacor, the state-owned steel producer, the South African Post Office, Armscor—the weapons procurement and manufacturing agency which has borrowed surreptitiously in the past—and one or two large municipalities are expected to raise smaller amounts.

The Government itself is unlikely to be a heavy borrower. According to Dr Joep de Loor, the Director-General of Finance, offshore loans to finance this year's budget deficit will be "about the same, maybe even less" than the R250m budgeted for the 1981-82 financial year.

Instead, the Treasury is likely to rely mainly on higher taxes and on the domestic capital market to fill the gap created by lower gold mine taxes. With other borrowers'

demands on the Euromarkets increasing, the authorities are well aware of the dangers of saturating foreign lenders with South African paper. "We won't be pressing the banks," Dr de Loor says, "we want to give Escom a little more scope."

Referring to South Africa's long battle to restore its acceptability in world capital markets after loans dried up during the disturbances in Black urban areas in 1976-77, Dr de Loor says: "It took us some time to get margins down, and we would not want them to go higher."

Spreads for large South African borrowers are currently between ½ of a point and 1 of a point above Libor.

With the notable exception of Swiss and German banks, many foreign institutions are still nervous about the political controversy surrounding loans to South Africa. Citicorp has been subjected to public criticism over its joint management of a \$250m credit for the Government in September, 1980.

U.S. banks these days confine their activities largely to private sector customers. "There is still a problem with U.S. banks and government loans," according to a representative of one U.S. bank in Johannesburg.

One way out has been to the loans to specific projects benefiting Blacks, though critics maintain that this simply frees other funds for the enforcement of apartheid. The current loan for Soweto is given as an example. The September 1980 credit was also linked to projects in Black and coloured townships.

South Africa's heavy demands on the capital markets this year will push some individual banks close to their country limits. According to one leading foreign banker here, "the huge amount involved may create some problems." In particular, purely financial credits may become increasingly difficult to negotiate as banks' books are filled with project-related paper.

Margins may widen later in the year, especially if the gold price fails to recover significantly and South Africa's net foreign reserves keep falling. The maximum maturity for South African loans, set at seven years for the past two to three years, may be shortened.

But despite the country's political and economic problems, the banks are not about to stop lending.

The economy's woes are short-term ones, a representative of one of the world's biggest banks argues. Although South Africa's political future remains clouded, he says, "there has not been a noteworthy worsening" of the assessment in the past few months.

Bernard Simon

**Marsh & McLennan Companies, Inc.**

has sold its indirect subsidiary

**Bowmaker Limited**

to

**Lloyds and Scottish Limited****MORGAN STANLEY & CO.**

Incorporated

March 16, 1982

**C. T. Bowring & Co. Limited**, a wholly-owned subsidiary of Marsh & McLennan Companies, Inc., has sold its finance house subsidiary, Bowmaker Limited, to Lloyds and Scottish Limited, a majority owned subsidiary of Lloyds Bank Limited. The aggregate proceeds were \$80,000,000.

**Morgan Stanley**, in association with **Schuyler & Co.**, has developed and implemented a divestiture strategy designed to generate competition and ensure the orderly transfer of ownership of an important financial institution.

This advertisement complies with the requirements of the Council of The Stock Exchange

**Development Bank of the Philippines**

(Incorporated in the Republic of the Philippines)

**U.S. \$30,000,000**

Guaranteed Floating Rate Notes due 1990

Guaranteed by

**The Republic of the Philippines**

The following have agreed to subscribe or procure subscribers for the Notes:

Lloyds Bank International Limited

Fuji International Finance Limited

Allied Banking Corporation

Ayala International Finance Limited

Credit Lyonnais Hong Kong (Finance) Limited

London &amp; Continental Bankers Limited

LTCB International Limited

Philippine Commercial and Industrial Bank

PNB International Finance Limited

Standard Chartered Merchant Bank Limited

Tokai Kyowa Morgan Grenfell Limited

The above Notes, to be issued at par with interest payable semi-annually in arrears in April and October in each year, have been admitted to the Official List of The Stock Exchange, subject only to issue. Full particulars of the Notes are contained in cards circulated by Exel Statistical Services Limited, and copies may be obtained during normal business hours up to and including 2nd April, 1982 from the Brokers to the issue:

Cazenove & Co.  
12 Tokenhouse Yard, London EC2R 7A

19th March, 1982

This announcement appears as a matter of record only.

January 1982

**The Ondo State of Nigeria****U.S. \$30,000,000**  
**Medium Term Loan****U.S. \$15,570,096**  
**Fixed Rate Export Financing**  
(Provided exclusively by  
**Banco Exterior de España**)

for the Little Osse Water Supply Project, Phase III

Guaranteed by:

**The Federal Republic of Nigeria**

Lead Managed by:

**American Express Bank**  
International Group**Crocker National Bank**

Managed by:

**The Bank of Yokohama, Ltd.**

# WORLD STOCK MARKETS

# Early Wall Street rally of 7.4

## NEW YORK

[illegible][illegible][illegible]

	Price	+ or -
Mar. 18	3528	
Mar. 19	3530	+2
Mar. 20	3532	+2
Mar. 21	3534	+2
Mar. 22	3536	+2
Mar. 23	3538	+2
Mar. 24	3540	+2
Mar. 25	3542	+2
Mar. 26	3544	+2
Mar. 27	3546	+2
Mar. 28	3548	+2
Mar. 29	3550	+2
Mar. 30	3552	+2
Mar. 31	3554	+2
Mar. 1	3556	+2
Mar. 2	3558	+2
Mar. 3	3560	+2
Mar. 4	3562	+2
Mar. 5	3564	+2
Mar. 6	3566	+2
Mar. 7	3568	+2
Mar. 8	3570	+2
Mar. 9	3572	+2
Mar. 10	3574	+2
Mar. 11	3576	+2
Mar. 12	3578	+2
Mar. 13	3580	+2
Mar. 14	3582	+2
Mar. 15	3584	+2
Mar. 16	3586	+2
Mar. 17	3588	+2
Mar. 18	3590	+2
Mar. 19	3592	+2
Mar. 20	3594	+2
Mar. 21	3596	+2
Mar. 22	3598	+2
Mar. 23	3600	+2
Mar. 24	3602	+2
Mar. 25	3604	+2
Mar. 26	3606	+2
Mar. 27	3608	+2
Mar. 28	3610	+2
Mar. 29	3612	+2
Mar. 30	3614	+2
Mar. 31	3616	+2
Mar. 1	3618	+2
Mar. 2	3620	+2
Mar. 3	3622	+2
Mar. 4	3624	+2
Mar. 5	3626	+2
Mar. 6	3628	+2
Mar. 7	3630	+2
Mar. 8	3632	+2
Mar. 9	3634	+2
Mar. 10	3636	+2
Mar. 11	3638	+2
Mar. 12	3640	+2
Mar. 13	3642	+2
Mar. 14	3644	+2
Mar. 15	3646	+2
Mar. 16	3648	+2
Mar. 17	3650	+2
Mar. 18	3652	+2
Mar. 19	3654	+2
Mar. 20	3656	+2
Mar. 21	3658	+2
Mar. 22	3660	+2
Mar. 23	3662	+2
Mar. 24	3664	+2
Mar. 25	3666	+2
Mar. 26	3668	+2
Mar. 27	3670	+2
Mar. 28	3672	+2
Mar. 29	3674	+2
Mar. 30	3676	+2
Mar. 31	3678	+2
Mar. 1	3680	+2
Mar. 2	3682	+2
Mar. 3	3684	+2
Mar. 4	3686	+2
Mar. 5	3688	+2
Mar. 6	3690	+2
Mar. 7	3692	+2
Mar. 8	3694	+2
Mar. 9	3696	+2
Mar. 10	3698	+2
Mar. 11	3700	+2
Mar. 12	3702	+2
Mar. 13	3704	+2
Mar. 14	3706	+2
Mar. 15	3708	+2
Mar. 16	3710	+2
Mar. 17	3712	+2
Mar. 18	3714	+2
Mar. 19	3716	+2
Mar. 20	3718	+2
Mar. 21	3720	+2
Mar. 22	3722	+2
Mar. 23	3724	+2
Mar. 24	3726	+2
Mar. 25	3728	+2
Mar. 26	3730	+2
Mar. 27	3732	+2
Mar. 28	3734	+2
Mar. 29	3736	+2
Mar. 30	3738	+2
Mar. 31	3740	+2
Mar. 1	3742	+2
Mar. 2	3744	+2
Mar. 3	3746	+2
Mar. 4	3748	+2
Mar. 5	3750	+2
Mar. 6	3752	+2
Mar. 7	3754	+2
Mar. 8	3756	+2
Mar. 9	3758	+2
Mar. 10	3760	+2
Mar. 11	3762	+2
Mar. 12	3764	+2
Mar. 13	3766	+2
Mar. 14	3768	+2
Mar. 15	3770	+2
Mar. 16	3772	+2
Mar. 17	3774	+2
Mar. 18	3776	+2
Mar. 19	3778	+2
Mar. 20	3780	+2
Mar. 21	3782	+2
Mar. 22	3784	+2
Mar. 23	3786	+2
Mar. 24	3788	+2
Mar. 25	3790	+2
Mar. 26	3792	+2
Mar. 27	3794	+2
Mar. 28	3796	+2
Mar. 29	3798	+2
Mar. 30	3800	+2
Mar. 31	3802	+2
Mar. 1	3804	+2
Mar. 2	3806	+2
Mar. 3	3808	+2
Mar. 4	3810	+2
Mar. 5	3812	+2
Mar. 6	3814	+2
Mar. 7	3816	+2
Mar. 8	3818	+2
Mar. 9	3820	+2
Mar. 10	3822	+2
Mar. 11	3824	+2
Mar. 12	3826	+2
Mar. 13	3828	+2
Mar. 14	3830	+2
Mar. 15	3832	+2
Mar. 16	3834	+2
Mar. 17	3836	+2
Mar. 18	3838	+2
Mar. 19	3840	+2
Mar. 20	3842	+2
Mar. 21	3844	+2
Mar. 22	3846	+2
Mar. 23	3848	+2
Mar. 24	3850	+2
Mar. 25	3852	+2
Mar. 26	3854	+2
Mar. 27	3856	+2
Mar. 28	3858	+2
Mar. 29	3860	+2
Mar. 30	3862	+2
Mar. 31	3864	+2
Mar. 1	3866	+2
Mar. 2	3868	+2
Mar. 3	3870	+2
Mar. 4	3872	+2
Mar. 5	3874	+2
Mar. 6	3876	+2
Mar. 7	3878	+2
Mar. 8	3880	+2
Mar. 9	3882	+2
Mar. 10	3884	+2
Mar. 11	3886	+2
Mar. 12	3888	+2
Mar. 13	3890	+2
Mar. 14	3892	+2
Mar. 15	3894	+2
Mar. 16	3896	+2
Mar. 17	3898	+2
Mar. 18	3900	+2
Mar. 19	3902	+2
Mar. 20	3904	+2
Mar. 21	3906	+2
Mar. 22	3908	+2
Mar. 23	3910	+2
Mar. 24	3912	+2
Mar. 25	3914	+2
Mar. 26	3916	+2
Mar. 27	3918	+2
Mar. 28	3920	+2
Mar. 29	3922	+2
Mar. 30	3924	+2
Mar. 31	3926	+2
Mar. 1	3928	+2
Mar. 2	3930	+2
Mar. 3	3932	+2
Mar. 4	3934	+2
Mar. 5	3936	+2
Mar. 6	3938	+2
Mar. 7	3940	+2
Mar. 8	3942	+2
Mar. 9	3944	+2
Mar. 10	3946	+2
Mar. 11	3948	+2
Mar. 12	3950	+2
Mar. 13	3952	+2
Mar. 14	3954	+2
Mar. 15	3956	+2
Mar. 16	3958	+2
Mar. 17	3960	+2
Mar. 18	3962	+2
Mar. 19	3964	+2
Mar. 20	3966	+2
Mar. 21	3968	+2
Mar. 22	3970	+2
Mar. 23	3972	+2
Mar. 24	3974	+2
Mar. 25	3976	+2
Mar. 26	3978	+2
Mar. 27	3980	+2
Mar. 28	3982	+2
Mar. 29	3984	+2
Mar. 30	3986	+2
Mar. 31	3988	+2
Mar. 1	3990	+2
Mar. 2	3992	+2
Mar. 3	3994	+2
Mar. 4	3996	+2
Mar. 5	3998	+2
Mar. 6	4000	+2
Mar. 7	4002	+2
Mar. 8	4004	+2
Mar. 9	4006	+2
Mar. 10	4008	+2
Mar. 11	4010	+2
Mar. 12	4012	+2
Mar. 13	4014	+2
Mar. 14	4016	+2
Mar. 15	4018	+2
Mar. 16	4020	+2
Mar. 17	4022	+2
Mar. 18	4024	+2
Mar. 19	4026	+2
Mar. 20	4028	+2
Mar. 21	4030	+2
Mar. 22	4032	+2
Mar. 23	4034	+2
Mar. 24	4036	+2
Mar. 25	4038	+2
Mar. 26	4040	+2
Mar. 27	4042	+2
Mar. 28	4044	+2
Mar. 29	4046	+2
Mar. 30	4048	+2
Mar. 31	4050	+2
Mar. 1	4052	+2
Mar. 2	4054	+2
Mar. 3	4056	+2
Mar. 4	4058	+2
Mar. 5	4060	+2
Mar. 6	4062	+2
Mar. 7	4064	+2
Mar. 8	4066	+2
Mar. 9	4068	+2
Mar. 10	4070	+2
Mar. 11	4072	+2
Mar. 12	4074	+2
Mar. 13	4076	+2
Mar. 14	4078	+2
Mar. 15	4080	+2
Mar. 16	4082	+2
Mar. 17	4084	+2
Mar. 18	4086	+2
Mar. 19	4088	+2
Mar. 20	4090	+2
Mar. 21	4092	+2
Mar. 22	4094	+2
Mar. 23	4096	+2
Mar. 24	4098	+2
Mar. 25	4100	+2
Mar. 26	4102	+2
Mar. 27	4104	+2
Mar. 28	4106	+2
Mar. 29	4108	+2
Mar. 30	4110	+2
Mar. 31	4112	+2
Mar. 1	4114	+2
Mar. 2	4116	+2
Mar. 3	4118	+2
Mar. 4	4120	+2
Mar. 5	4122	+2
Mar. 6	4124	+2
Mar. 7	4126	+2
Mar. 8	4128	+2
Mar. 9	4130	+2
Mar. 10	4132	+2
Mar. 11	4134	+2
Mar. 12	4136	+2
Mar. 13	4138	+2
Mar. 14	4140	+2
Mar. 15	4142	+2
Mar. 16	4144	+2
Mar. 17	4146	+2
Mar. 18	4148	+2
Mar. 19	4150	+2
Mar. 20	4152	+2
Mar. 21	4154	+2
Mar. 22	4156	+2
Mar. 23	4158	+2
Mar. 24	4160	+2
Mar. 25	4162	+2
Mar. 26	4164	+2
Mar. 27	4166	+2
Mar. 28	4168	+2
Mar. 29	4170	+2
Mar. 30	4172	+2
Mar. 31	4174	+2
Mar. 1	4176	+2
Mar. 2	4178	+2
Mar. 3	4180	+2
Mar. 4	4182	+2
Mar. 5	4184	+2
Mar. 6	4186	+2
Mar. 7	4188	+2
Mar. 8	4190	+2
Mar. 9	4192	+2
Mar. 10	4194	+2
Mar. 11	4196	+2
Mar. 12	4198	+2
Mar. 13	4200	+2
Mar. 14	4202	+2
Mar. 15	4204	+2
Mar. 16	4206	+2
Mar. 17	4208	+2
Mar. 18	4210	+2
Mar. 19	4212	+2
Mar. 20	4214	+2
Mar. 21	4216	+2
Mar. 22	4218	+2
Mar. 23	4220	+2
Mar. 24	4222	+2
Mar. 25	4224	+2
Mar. 26	4226	+2
Mar. 27	4228	+2
Mar. 28	4230	+2
Mar. 29	4232	+2
Mar. 30	4234	+2
Mar. 31	4236	+2
Mar. 1	4238	+2
Mar. 2	4240	+2
Mar. 3	4242	+2
Mar. 4	4244	+2
Mar. 5	4246	+2
Mar. 6	4248	+2
Mar. 7	4250	+2
Mar. 8	4252	+2
Mar. 9	4254	+2
Mar. 10	4256	+2
Mar. 11	4258	+2
Mar. 12	4260	+2
Mar. 13	4262	+2
Mar. 14	4264	+2
Mar. 15	4266	+2
Mar. 16	4268	+2
Mar. 17	4270	+2
Mar. 18	4272	+2
Mar. 19	4274	+2
Mar. 20	4276	+2
Mar. 21	4278	+2
Mar. 22	4280	+2
Mar. 23	4282	+2
Mar. 24	4284	+2
Mar. 25	4286	+2
Mar. 26	4288	+2
Mar. 27	4290	+2
Mar. 28	4292	+2
Mar. 29	4294	+2
Mar. 30	4296	+2
Mar. 31	4298	+2
Mar. 1	4300	+2
Mar. 2	4302	+2
Mar. 3	4304	+2
Mar. 4	4306	+2
Mar. 5	4308	+2
Mar. 6	4310	+2
Mar. 7	4312	+2
Mar. 8	4314	+2
Mar. 9	4316	+2
Mar. 10	4318	+2
Mar. 11	4320	+2
Mar. 12	4322	+2
Mar. 13	4324	+2
Mar. 14	4326	+2
Mar. 15	4328	+2
Mar. 16	4330	+2
Mar. 17	4332	+2
Mar. 18	4334	+2
Mar. 19	4336	+2
Mar. 20	4338	+2
Mar. 21	4340	+2
Mar. 22	4342	+2
Mar. 23	4344	+2
Mar. 24	4346	+2
Mar. 25	4348	+2
Mar. 26	4350	+2
Mar. 27	4352	+2
Mar. 28	4354	+2
Mar. 29	4356	+2
Mar. 30	4358	+2
Mar. 31	4360	+2
Mar. 1	4362	+2
Mar. 2	4364	+2
Mar. 3	4366	+2
Mar. 4	4368	+2
Mar. 5	4370	+2
Mar. 6	4372	+2
Mar. 7	4374	+2
Mar. 8	4376	+2
Mar. 9	4378	+2
Mar. 10	4380	+2
Mar. 11	4382	+2
Mar. 12	4384	+2
Mar. 13	4386	+2
Mar. 14	4388</	

## Indices

**NEW YORK**

	Mar. 17	Mar. 16	Mar. 15	Mar. 13	Mar. 11	Mar. 20	1981-82		Since Cmpht'n		
							High	Low	High	Low	
eIndustr' is	795.35	798.56	800.99	797.57	805.35	804.85	1054.88	730.47	1061.79	71.92	AUSTRALIA Oil Crd., 71 (1/8)
H'me Spnd.	92.50	94.57	58.39	58.91	56.45	55.45	155.78	45.49	—	—	Metal & Min., 11
Transp.	38.50	354.75	325.17	320.00	325.00	318.97	447.28	314.29	467.58	12.25	AUSTRIA Credit Act'n 72
Utilities	105.30	105.56	105.49	105.81	106.78	107.58	117.61	101.28	163.32	10.5	
Trading Vol. 000's	48,390	58,240	52,478	62,500	62,500	53,440	(3,181)	(208)	2004	391 (2d/4th)	BELGIUM Belgian Sec (511)
eAve h's	802.70	800	800	791.29							Denmark Comm'n Sec (511)

	Mar. 16	Mar. 16	Mar. 16	High	1981-82	
					Low	
						Reed Steaks A ... 114 114
						Sig Assem. ... 30
						Royal Bank ... 234 234
						Koyall Trustco A ... 154 154
						Keefe Res. ... 184 184
						Seagram ... 164 164
						Steel of Can A ... 254 254
						Fesk B ... 74 74
						Texaco Canada ... 224 224
						Thomson News ... 224 224
						Toronto Dom Bk ... 274 274
						Transcan Pipe ... 224 224
						Trinity Ind. ... 244 244
						Utd. Sisco Mines ... 400 400
						Windsor ... 244 244
						Yukon ... 244 244

ter	185	+	+0.8
er S.A.	173	-1.2	
er	173	-1.2	
nech	208.2	-0.8	
ne-Poulene	125.4	+0.4	
ne-Udaf	291.2	+1.2	
ne	291.2	+1.2	
Rosagint	526	+2.4	
ne	526	+2.4	
ne	572	-2.2	
ne Brandt	318.9	+2.5	

SWEDEN			
	Price Kroner	+ or -	
AGIA	215		
Alfa-Laval	217		
AGIA Tebbin	218		
Alfa	280		
Astra	290	+2	
AGIA	215		
Alfa-Laval	217		
AGIA Tebbin	218		
Alfa	280		
Astra	290	+2	
AGIA	215		
Alfa-Laval	217		
AGIA Tebbin	218		
Alfa	280		
Astra	290	+2	
AGIA	215		
Alfa-Laval	217		
AGIA Tebbin	218		
Alfa	280		
Astra	290	+2	
AGIA	215		
Alfa-Laval	217		
AGIA Tebbin	218		
Alfa	280		
Astra	290	+2	
AGIA	215		
Alfa-Laval	217		
AGIA Tebbin	218		
Alfa	280		
Astra	290	+2	
AGIA	215		
Alfa-Laval	217		
AGIA Tebbin	218		
Alfa	280		
Astra	290	+2	
AGIA	215		
Alfa-Laval	217		
AGIA Tebbin	218		
Alfa	280		
Astra	290	+2	
AGIA	215		
Alfa-Laval	217		
AGIA Tebbin	218		
Alfa	280		
Astra	290	+2	
AGIA	215		
Alfa-Laval	217		
AGIA Tebbin	218		
Alfa	280		
Astra	290	+2	
AGIA	215		
Alfa-Laval	217		
AGIA Tebbin	218		
Alfa	280		
Astra	290	+2	
AGIA	215		
Alfa-Laval	217		
AGIA Tebbin	218		
Alfa	280		
Astra	290	+2	
AGIA	215		
Alfa-Laval	217		
AGIA Tebbin	218		
Alfa	280		
Astra	290	+2	
AGIA	215		
Alfa-Laval	217		
AGIA Tebbin	218		
Alfa	280		
Astra	290	+2	
AGIA	215		
Alfa-Laval	217		
AGIA Tebbin	218		
Alfa	280		
Astra	290	+2	
AGIA	215		
Alfa-Laval	217		
AGIA Tebbin	218		
Alfa	280		
Astra	290	+2	
AGIA	215		
Alfa-Laval	217		
AGIA Tebbin	218		
Alfa	280		
Astra	290	+2	
AGIA	215		
Alfa-Laval	217		
AGIA Tebbin	218		
Alfa	280		
Astra	290	+2	
AGIA	215		
Alfa-Laval	217		
AGIA Tebbin	218		
Alfa	280		
Astra	290	+2	
AGIA	215		
Alfa-Laval	217		
AGIA Tebbin	218		
Alfa	280		
Astra	290	+2	
AGIA	215		
Alfa-Laval	217		
AGIA Tebbin	218		
Alfa	280		
Astra	290	+2	
AGIA	215		
Alfa-Laval	217		
AGIA Tebbin	218		
Alfa	280		
Astra	290	+2	
AGIA	215		
Alfa-Laval	217		
AGIA Tebbin	218		
Alfa	280		
Astra	290	+2	
AGIA	215		
Alfa-Laval	217		
AGIA Tebbin	218		
Alfa	280		
Astra	290	+2	
AGIA	215		

pe Std	1.91	+0.06
Banking	5.75	+0.05
Brew	4.6	
	10.9	+0.5
Carby	2.94	+0.54
Trg	8.3	+0.2
	4.12	+0.1

### AFRICA

Mar. 18	Price Rand	+ or -
Am	2.9	-0.05
	7.15	-0.05
Am	11.60	

### STANDARD AND POORS

	Mar. 17	Mar. 16	Mar. 15	Mar. 12	Mar. 11	Mar.	2-yr High	Since Low	Chart	Low
										Commerzbank AG
										HOLLAND
Indust'ls	121.02	121.26	121.45	120.27	121.08	120.99	157.92	119.41	108.98	9.32
	(9/18)						(10/18)	112.21	111.98	4.23
Composite	105.89	105.28	105.45	105.51	105.36	105.49	119.52	110.52	109.22	5.02
	(9/19)						(10/19)	113.52	123.11	10.15
										HONG KONG
										Hang Seng Bank
Ind. div. yield %				Mar. 10	Mar. 9	Feb. 24	Year ago	approx		ITALY
				6.09	6.00	5.83	4.68			Banca Comm It
Ind. P/E Ratio				7.57	7.42	7.62	9.18			JAPAN**
Long Gov. Bond yield				15.15	15.01	15.21	12.58			Dow Average / Tokyo New SE /

232.30	235.00	234.19	232.23	245.47 (3/7)	215.98 (3/2-31)
955.	710.4	719.2	757.3	242.9 (3/7)	625.4 (10/2-31)
(70)	84.8	84.2	84.8	95.8 (30-9)	78.5 (28-6)
(0)	63.2	67.3	59.1	75.4 (23-5)	61.4 (32-1)

**AUSLAND**

	Mar. 18	Price	+ or -
Creditanstalt .....	220	-1	
Landesbank .....	190	.....	
Permoersee .....	265	.....	
Semaut .....	56	.....	
Steier Dalmer .....	190	-1	
Weyer Mag .....	151	-5	

183	184	185	186	187	188	189	190	191	192	193	194	195	196	197	198	199	200	201	202	203	204	205	206	207	208	209	210	211	212	213	214	215	216	217	218	219	220	221	222	223	224	225	226	227	228	229	230	231	232	233	234	235	236	237	238	239	240	241	242	243	244	245	246	247	248	249	250	251	252	253	254	255	256	257	258	259	260	261	262	263	264	265	266	267	268	269	270	271	272	273	274	275	276	277	278	279	280	281	282	283	284	285	286	287	288	289	290	291	292	293	294	295	296	297	298	299	300	301	302	303	304	305	306	307	308	309	310	311	312	313	314	315	316	317	318	319	320	321	322	323	324	325	326	327	328	329	330	331	332	333	334	335	336	337	338	339	340	341	342	343	344	345	346	347	348	349	350	351	352	353	354	355	356	357	358	359	360	361	362	363	364	365	366	367	368	369	370	371	372	373	374	375	376	377	378	379	380	381	382	383	384	385	386	387	388	389	390	391	392	393	394	395	396	397	398	399	400	401	402	403	404	405	406	407	408	409	410	411	412	413	414	415	416	417	418	419	420	421	422	423	424	425	426	427	428	429	430	431	432	433	434	435	436	437	438	439	440	441	442	443	444	445	446	447	448	449	450	451	452	453	454	455	456	457	458	459	460	461	462	463	464	465	466	467	468	469	470	471	472	473	474	475	476	477	478	479	480	481	482	483	484	485	486	487	488	489	490	491	492	493	494	495	496	497	498	499	500	501	502	503	504	505	506	507	508	509	510	511	512	513	514	515	516	517	518	519	520	521	522	523	524	525	526	527	528	529	530	531	532	533	534	535	536	537	538	539	540	541	542	543	544	545	546	547	548	549	550	551	552	553	554	555	556	557	558	559	560	561	562	563	564	565	566	567	568	569	570	571	572	573	574	575	576	577	578	579	580	581	582	583	584	585	586	587	588	589	590	591	592	593	594	595	596	597	598	599	600	601	602	603	604	605	606	607	608	609	610	611	612	613	614	615	616	617	618	619	620	621	622	623	624	625	626	627	628	629	630	631	632	633	634	635	636	637	638	639	640	641	642	643	644	645	646	647	648	649	650	651	652	653	654	655	656	657	658	659	660	661	662	663	664	665	666	667	668	669	670	671	672	673	674	675	676	677	678	679	680	681	682	683	684	685	686	687	688	689	690	691	692	693	694	695	696	697	698	699	700	701	702	703	704	705	706	707	708	709	710	711	712	713	714	715	716	717	718	719	720	721	722	723	724	725	726	727	728	729	730	731	732	733	734	735	736	737	738	739	740	741	742	743	744	745	746	747	748	749	750	751	752	753	754	755	756	757	758	759	760	761	762	763	764	765	766	767	768	769	770	771	772	773	774	775	776	777	778	779	780	781	782	783	784	785	786	787	788	789	790	791	792	793	794	795	796	797	798	799	800	801	802	803	804	805	806	807	808	809	810	811	812	813	814	815	816	817	818	819	820	821	822	823	824	825	826	827	828	829	830	831	832	833	834	835	836	837	838	839	840	841	842	843	844	845	846	847	848	849	850	851	852	853	854	855	856	857	858	859	860	861	862	863	864	865	866	867	868	869	870	871	872	873	874	875	876	877	878	879	880	881	882	883	884	885	886	887	888	889	890	891	892	893	894	895	896	897	898	899	900	901	902	903	904	905	906	907	908	909	910	911	912	913	914	915	916	917	918	919	920	921	922	923	924	925	926	927	928	929	930	931	932	933	934	935	936	937	938	939	940	941	942	943	944	945	946	947	948	949	950	951	952	953	954	955	956	957	958	959	960	961	962	963	964	965	966	967	968	969	970	971	972	973	974	975	976	977	978	979	980	981	982	983	984	985	986	987	988	989	990	991	992	993	994	995	996	997	998	999	1000
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Finance	2.30	-0.02
re	5.65	
tein	26	+0.15
uld	30	+1.75
olds SA	64	+3
d Steel	3.77	
	7.7	
	30	+1.5
rk	5.75	
are	17	
Hidge	2.40	+0.06
unt	9.60	
	4.25	+0.05
	3.65	
age	2.6	+0.3
ve	4.25	
ats	16.25	+0.25
	3.45	

	Mar.	Mar.	Mar.	Mar.	
<b>MONTREAL</b>					

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Brazil	1.90	+0.28
India	12.78	+0.15
Japan	3.80	
U.S.	8.60	+0.55
U.S. PP	10.25	-0.15
U.S. PP	9.85	+0.58
U.S. PP	12.50	
U.S. PP	13.70	+0.85

Cover: Cr. 1,343.2m.  
 Volume: 208.2m.  
 Cr. Rta de Janeiro SE.

as quoted on the  
 and prices. 5 Dealings  
 p issue. ex Ex rights.

**MANY** recently-depressed Technology and Blue Chip shares attracted bargain hunting on Wall Street yesterday morning, with the market in general tending to rally in active trading.

The Dow Jones Industrial Average closed at 2,632.75, up \$18.27 at 1 p.m., while the NYSE All Common Index picked up 57 cents to \$63.31. Rises out-

**Germany**

Bourse prices were mixed in listless trading despite the announcement of a cut in the Bundesbank's special Lombard rate to 9.5 per cent from 10 per cent during the trading session.

Although the move had been widely expected, brokers were a little surprised by the market's

Wednesday after the fresh steep early slide.

The Nikkei-Dow Jones Average regained 183.27 from 7,032.80, the largest one-day rise seen so far this year. The Tokyo Stock Index advanced 9.18 to 628.68, while advances outnumbered declines by 493 to 187 on the First market after volume of 370m shares (440m).

to 17 per cent.

The weakness of the French franc, which tumbled to its lowest-ever levels in relation to the U.S. dollar and the D-marc, resulted in market participants buying foreign stocks, which were broadly higher. However, in the French section, rises led falls by 94 to 80.

scored falls by 190-100-ones after volume increased to 39,860 shares from 35,735. Analysts said the market was moving up from an oversold technical condition. They added that investors may have drawn some profit from the rally led by Budget director David Stockman, who said he is optimistic Congress and the Administra-

tion will pass the bill. The lack of response, which was higher on Wednesday as speculation of the Lombard rate cut grew, generally eased yesterday. Commerzbank slipped DM 1.30 and Deutsche Bank 90 pfennigs.

The session's only notable rises were in Stores, where Herten and Kaufhof, DM 150, each added DM 3. Possibly, the

many investors were on their guard, playing it safe in the face of the brisk rebound on Wednesday afternoon. However, news that Kuehne & Nagel Industries up Y24, has received a subway train order from New York metropolitan authorities hit the market towards the end of the session. The news triggered the fresh rally that gathered momentum as the

**Australia**

Most sectors showed a decided trend in another business yesterday, but Gold Mining issues generally rallied.

An improving Bullfinch price New York overnight helped a recovery on the Hong Kong Gold Bullion market helped the Australian Gold shares group.

tion can reach a compromise on the Federal Budget.

Kodak rose 1 1/2 to \$69 1/2, McEwlen 1/2 to \$61 1/2, Disney 5/8 to \$61 1/2, Telecity 2 1/2 to \$116 1/2. Communications Satellite 1 1/2 to \$55 1/2, Symbol 1 1/2 to \$32 and Datapoint 1 1/2 to \$23 1/2.

Marshall Field, which gained \$1 to \$25 1/2 on Wednesday, did not trade yesterday morning.

Shares declined on the New York Stock Exchange as consumer spending as credit is loosened. Banks have recently cut rates on personal overdrafts, often used to finance purchases of appliances, clothing or furniture.

In technicals, Siemens receded 1 DM 190 to DM 221.70 following a remark by managing board chairman Karl-Heinz Kaske at the annual meeting.

Trading was on.

A trader commented that the market wasn't particularly big, but gave a positive outlook for the market in the face of recent trade friction with Western countries.

Export-oriented issues mainly advanced on this news, with capital issues such as particularly, recovering strongly. Hitachi moved ahead 2 1/2 to \$100 1/2.

Some dealers warned that the Central Bank's action to ease the Norwegian Gold and GNRK to take-over overtures in Western Germany. This failed to convince market technicians, however, who saw the move as a signal in the charts left where the Resource stocks went into their free-fall earlier in the year. Central Norsemann regained 1 1/2 to \$100 1/2.

The company said it is expecting a 1987 after-tax profit of \$1.5 million, which earlier in the week announced a plan to acquire Field for \$25.50 a share, or about \$310m.

Chicago Milwaukee, which recently received the go ahead to sell off additional assets of railroad assets for \$21 to \$31.10, said the American Stock Market Value Index rose 3.56 to 1,372.72.

That the company's earnings will not keep pace with sales growth.

Recently Iron Steels mostly declined. Kloeckner-Werke, which said it is seeking Government aid to help rationalisation efforts, fell DM 2.50 to Df 150.50.

On the bond market, prices were steady. The special Lombard cut had been expected and

Y881, Toshiba Y11, to Y307 and Y881 Y18 to Y217, while Nissan and Toyota Y18 to Y172.

Matsumoto Electrical Y27 to Y1,010, Victor Y80 to Y1,906 and Olympus Y16 to Y888. However, Seny lost Y30 to Y2,980 and Canon Y18 to Y766.

Oil prices up sharply. Tokaiha rising Y46 to Y786 and Nippon Y32 to Y1,030.

Sumitomo Metal Mining

cents to A\$3.90 and GAMA to cents to A\$1.90.

Elsewhere in the Golds sector, Peko-Wallend hardened 10 cents to A\$4.70, Peasehill, 5 cents to A\$1.40 and Panconantal 10 cents to A\$1.50.

On the issues came in for some selling in the first session after London had shown an interest, but in afternoon dealings, a number of stocks picked

250.06 at 1 pm. Volume 2.38m shares.

### Canada

Market in Canada also staged a good early recovery in a fair turnover. The Toronto Composite Index improved 18.4 to 1,568.1, Golds 106.9 to 2,168.8 and Oil and Gas 57.4 to 2,447.8.

### Tokyo

Widespread bargain hunting

was already reflected in price rises in recent sessions, dealers said. The Bundestag sold DM 4.4m of public sector paper, down sharply from Wednesday's sales of DM 102.3m. Mark-denominated Eurobonds tended to move higher.

### Paris

French shares closed mixed with a slight bias to higher levels, the market holding up

advanced the day's limit of ¥120 to ¥980 after announcing a promising gold discovery, this encouraged other Non-Ferrous Metal and Mining issues.

### Hong Kong

Share prices fluctuated with a narrow range throughout the day in slow trading before ending with a slightly easing tendency on balance. The Hang Seng index shed 3.47 to 1,183.2.

Turnover amounted

up, leaving mixed movements on balance.

Closing Prices for North America were not available for this edition.	caused the market to rally very sharply yesterday in a fairly active session, continuing the afternoon rebound seen on						well despite worries over foreign exchange developments and news of a two-point jump in the French Call Money rate						HK\$151.08m compared with HK\$85.95m recorded in Wednesday's half-day session.						
<b>CANADA</b>				<b>BELGIUM (continued)</b>				<b>HOLLAND</b>				<b>AUSTRALIA</b>				<b>JAPAN (continued)</b>			
Stock	Mar. 17	Mar. 16		Mar. 18	Price Fts.	+ or -		Mar. 18	Price Fts.	+ or -		Mar. 18	Price Aust. \$	+ or -		Mar. 18	Price Yen	+ or -	
AMCA Int'l.....	19 1/2	18 1/2		Petrofina.....	4,820	-40	ACF Holding.....	73.6	-0.9		ANZ Group.....	3.75	-0.05		Kubota.....	352	+1		
Abitibi.....	19 1/2	19 1/2		Royale Belge....	5,010	+80		74.8	+1.2		Arrow Auto.....	1.69			Kumagai.....	437	+8		
															Kyoto Ceramic...S.	470	+8		

Aican Alumina	23	23	Soc. Gen. Belg.	1,420	+2	ABN	277	+9	Ampco	1,000	+1	Alcan	618	+1
Algamma Steel	23	23	Soc. Gen.	3,419	+106	AMV	78.6	-0.6	Pulp Pap.	1,000	+1	Nakita	73	+2
Alk. Montreal	13	13	Soc. Gen.	2,900	+2	ASAC	49.9	+2	Auto Parts	1,000	+1	Marconi	1,000	+1
Alk. Nova Scotia	21	21	Soc. Gen.	2,540	+85	Brasserie	130.5	-0.5	Aust. Cons. Ind.	2,588	+1	Marudai	507	+5
Alk. Nova Scotia	21	21	UOB	1,850	+86	Brooks Kallie	65.0	+1.4	Aust. Nat. Inds.	2,400	+1	Mitsui	866	+1
Basic Resources	2,65	2,65	Union Minière	1,609	+5	Chem. Ind. Fed.	21.8	+0.7	Aust. Paper	1,790	+0.6	Mitsui	866	+1
Bell Canada	17	17	Veolia Mont.	1,609	+5	Elevaru IDU	132	+1.7	Blue Metal	1,326	-0.4	Wabash Nat.	492	+1
Bell Canada	17	17				Emis	11	-0.5	Bond Index	1.3	-0.1	Wabash Nat.	492	+1
BP Canada	18	18				Suro. Comm. Fed.	69		Swiss Copper	1.1	-0.02	Wabash Nat.	492	+1
Brascan A	25	25				Ext. Brocades	67.5		Brambles Ind.	2,400	+1	Wabash Nat.	492	+1
Brascan A	25	25				Heineken	52.9	+1.8	Bridge Oil	2.08	-0.06	Wabash Nat.	492	+1
B. & F. Portland	4,35	4,35				Hogwarts	6.8		BHP	7.86	-0.02	MHI	917	+1
CIL Inc.	23	24				Royal Dutch	6.8					MHI	917	+1

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AUSTRIA		Mar. 18		Price		+ or -		AUSTRIA		Mar. 18		Price		+ or -		
Bayer-Hypo	208.9	+0.3		Bayer-Hypo	208.9	+0.3		Bayer-Hypo	208.9	+0.3		Bayer-Hypo	208.9	+0.3		
Bayer-Verrein	285.4	-1.7		Bayer-Verrein	285.4	-1.7		Bayer-Verrein	285.4	-1.7		Bayer-Verrein	285.4	-1.7		
BHP-Bank	213.5	+2.5		BHP-Bank	213.5	+2.5		BHP-Bank	213.5	+2.5		BHP-Bank	213.5	+2.5		
BKW	113.3	-0.5		BKW	113.3	-0.5		BKW	113.3	-0.5		BKW	113.3	-0.5		
Brown Boveri	216.0	+0.5		Brown Boveri	216.0	+0.5		Brown Boveri	216.0	+0.5		Brown Boveri	216.0	+0.5		
Commerzbank	162.5	-1.1		Commerzbank	162.5	-1.1		Commerzbank	162.5	-1.1		Commerzbank	162.5	-1.1		
Landesbank	220.0	-0.2		Landesbank	220.0	-0.2		Landesbank	220.0	-0.2		Landesbank	220.0	-0.2		
Daimler-Benz	247.9	-1.1		Daimler-Benz	247.9	-1.1		Daimler-Benz	247.9	-1.1		Daimler-Benz	247.9	-1.1		
Dejussa	245.0	+1.6		Dejussa	245.0	+1.6		Dejussa	245.0	+1.6		Dejussa	245.0	+1.6		
Ernst & Sohn	207.0	-0.9		Ernst & Sohn	207.0	-0.9		Ernst & Sohn	207.0	-0.9		Ernst & Sohn	207.0	-0.9		
D'sch. Babcock	245.0	-0.9		D'sch. Babcock	245.0	-0.9		D'sch. Babcock	245.0	-0.9		D'sch. Babcock	245.0	-0.9		
DU Bank	274.0	-0.9		DU Bank	274.0	-0.9		DU Bank	274.0	-0.9		DU Bank	274.0	-0.9		
DU Schult	174.0	-1.1		DU Schult	174.0	-1.1		DU Schult	174.0	-1.1		DU Schult	174.0	-1.1		
Ernst & Sohn	207.0	-0.9		Ernst & Sohn	207.0	-0.9		Ernst & Sohn	207.0	-0.9		Ernst & Sohn	207.0	-0.9		
Veitsh. Masg.	91.0	-2.0		Veitsh. Masg.	91.0	-2.0		Veitsh. Masg.	91.0	-2.0		Veitsh. Masg.	91.0	-2.0		
Alpenrose	142.0	-1.8		Alpenrose	142.0	-1.8		Alpenrose	142.0	-1.8		Alpenrose	142.0	-1.8		
Amadea	539.0	+1.9		Amadea	539.0	+1.9		Amadea	539.0	+1.9		Amadea	539.0	+1.9		
Aschli Glas	135.0	-1.1		Aschli Glas	135.0	-1.1		Aschli Glas	135.0	-1.1		Aschli Glas	135.0	-1.1		
Bristegrove	407.0	-1.1		Bristegrove	407.0	-1.1		Bristegrove	407.0	-1.1		Bristegrove	407.0	-1.1		
Canon	766.0	-1.8		Canon	766.0	-1.8		Canon	766.0	-1.8		Canon	766.0	-1.8		
Ciba	678.0	-1.1		Ciba	678.0	-1.1		Ciba	678.0	-1.1		Ciba	678.0	-1.1		
Dalac	610.0	-1.0		Dalac	610.0	-1.0		Dalac	610.0	-1.0		Dalac	610.0	-1.0		
Dea	478.0	-1.7		Dea	478.0	-1.7		Dea	478.0	-1.7		Dea	478.0	-1.7		
Dea-Hypoth. Prg.	364.0	+1.7		Dea-Hypoth. Prg.	364.0	+1.7		Dea-Hypoth. Prg.	364.0	+1.7		Dea-Hypoth. Prg.	364.0	+1.7		
Daiwa House	364.0	+1.7		Daiwa House	364.0	+1.7		Daiwa House	364.0	+1.7		Daiwa House	364.0	+1.7		
Daiwa Selco	364.0	+1.7		Daiwa Selco	364.0	+1.7		Daiwa Selco	364.0	+1.7		Daiwa Selco	364.0	+1.7		
Dauphine	364.0	+1.7		Dauphine	364.0	+1.7		Dauphine	364.							

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1. *Journal of the American Medical Association*, 1997; 278: 1039-1044.

## Milk sales decline slows

By Richard Mooney

SALES OF liquid milk in Britain are holding up surprisingly well following the January price rise. Preliminary figures published by the Milk Marketing Board put January sales in England and Wales at 479.7m litres, down only 1 per cent compared with the same month last year. This followed a year-on-year decrease of 0.4 per cent in January.

It had been feared that the 11p increase to 20p a pint, which took effect on January 10, would lead to a steepening in the long term decline in milk consumption.

After an identical increase a year earlier, the rate of decline jumped from December 1980's 1.5 per cent to 2.8 per cent in January 1981 and 2.5 per cent in February.

The relatively steady performance this year has raised hopes that the underlying rate of decline may be slowing, possibly helped by the Lotta Bottle advertising campaign which started in mid-January.

The MMB said yesterday, however, that it was "far too early to assess the effectiveness of the campaign."

Scottish liquid milk sales were down 0.8 per cent in February, according to figures published by the Scottish Milk Marketing Board. This followed a 3.5 per cent decline in January.

## Foot and mouth hits Denmark

By Hilary Barnes in Copenhagen

FOOT AND MOUTH disease has been confirmed in a dairy herd on the Danish island of Funen, the Ministry of Agriculture confirmed yesterday.

Immediate steps have been taken to destroy the herd. The last time that foot and mouth was confirmed in Denmark was in 1970.

Michael Eiler, director of the Agricultural Council, said he expected that several overseas markets would be immediately closed to Danish meat exports, including the U.S. and Japan.

This would cost Danish farmers substantial sums in lost exports.

Funen is a large island lying between the main Danish landmasses of Jutland and Sjaelland. It is an important dairy and pig producing area.

Containing the outbreak could be a problem, as there is a bridge link with Jutland and frequent ferries to Sjaelland.

## Livestock ban

Richard Mooney writes: The British Ministry of Agriculture said last night that it expected livestock imports from Denmark to be banned but fresh meat imports, except from affected areas, should not be affected.

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## Slaughtered

Foot and mouth is a highly contagious viral infection which can be caught by any cloven-hoofed animal. It is endemic in much of Europe, but except for last year's outbreak Britain has been clear for 14 years. In Britain any animal confirmed as having the disease and any others it has been in contact with must be slaughtered.

British pig producers were urged yesterday to be more "aggressive" in their thinking. Speaking at the presentation of the National Pig Awards in London, the Minister of Agriculture, Lord Carrington, criticised negative attitudes in the industry.

With per capita consumption near the bottom of the EEC league there was plenty of scope for expansion, he said. But expansion could only be undertaken by the most efficient producers, he warned.

## Copper market lifted

By John Edwards, Commodities Editor

COPPER prices rose on the London Metal Exchange yesterday buoyed up by U.S. producer Kennecott's decision to cut output by 35 per cent and maintain a minimum price of 76 cents a lb. Higher-grade copper closed at 84.75 up at 84.75 a tonne reflecting the improved market sentiment.

Kennecott claimed in an interview with Reuters that its new Ray Mines Division and Chino concentrator in New Mexico would eliminate 11,000 short tons of the company's monthly output of 21,430 tons. The existing concentrator at Chino was due to have been phased out in August by a second plant currently under construction.

Instead, closure of the existing Chino concentrator has been advanced to March 28 and the start-up of the new plant postponed indefinitely.

Magma Copper, part of Newmont Mining, has also put up its domestic selling price to 84.75 cents a lb in line with the move by other producers to move to the minimum price set by Kennecott. It remains to be seen, however, how consumers will react in view of the continued poor demand and the rise in U.S. interest rates this week.

St Joe yesterday cut its U.S. domestic zinc price by 1 cent to 39 cents a lb in line with the reduction announced by Asarco on Wednesday.

LME cash zinc fell by 5.5 to 54.4 a tonne. Lead was also down, with the 25 lb tin supply squeeze eased and the cash price closed 2.5 down at 234.2 a tonne.

## EEC sugar sales steady

By Our Commodities Staff

THE EEC Commission yesterday granted export licences on 48,800 tonnes of white sugar to its member states. The level to the level that has ruled throughout most of the current export campaign. It set a maximum export rebate of 21.71 European currency units.

On the London futures market, August sugar fell 2.25 to 116.175 a tonne. Dealers said trading was "thin."

## FARMER'S VIEWPOINT

## Cereal mountain threat

IT LOOKS now as though the cereal sector could well replace milk as the number one problem for the Common Agricultural Policy. Its budgeted cost for this year at about £1bn is just under half the present milk cost, but its scope for increase is unlimited.

This must have been recognised by the Commission in its suggestion for the Price Review that the cereal price rise should be restricted to 6 per cent as against 8 per cent for the remainder of commodities and in the declared aim of aligning EEC prices closer to those on the international grain market.

In this context, Britain is in a rather ambiguous position. Still a significant importer of hard wheat and maize, these imports will be expected to rise by 10 per cent in the year ending 1982.

There are, of course, subsidies on the exports, but at the moment they amount to only 224 per tonne on barley and 240 on wheat, compared with 400 on third countries, and a great deal less than on exports to other EEC countries to which many cargoes are directed for transshipment. The fact that these enormous subsidies of UK grain have taken place is a significant reversal of roles for a country which used to be the major grain importer of Europe.

But this could be only the beginning. After a check last year due to drought, grain yields look like resuming their upward trend. In addition, an increased wheat acreage of 10 per cent is being forecast. On average yield this would mean another 800,000 tonnes of wheat, and with a reported increase of 10 per cent in the acreage sown to winter barley (heavier yielding than spring sown) a million more tonnes of cereals for the 1982 harvest looks likely, even without any yield increase at all.

There is another factor. Compounders are already making increasing use of soya-bean substitutes in their feed rations. This year it is believed that these have amounted to 3m tonnes and this total is certain to grow by at least an equivalent amount annually.

This could mean an export surplus of a minimum of 8m tonnes by 1985, by which time some forecasters envisage

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## India moves to protect jute industry

By P. C. MAHANTI IN CALCUTTA

IN A BID to rescue its ailing jute industry, the Indian government has just announced a large purchase order for 300,000 bales of sacking. Since last December all official purchases of this category of goods had been suspended leading to abnormal accumulation of stocks.

Most of the industry's sacking output is consumed internally and the government is the largest buyer. Over 50 per cent of the total output of 1.3m tonnes consists of sacking materials.

The delivery period will be spread over three months, April to June. The mills will be given orders only if they undertake to supply jute to the government for the production of sacking materials.

The purchases will have to be from the Jute Corporation of India, which now holds 2.2m bales of raw jute in stock after exporting 1bn bales and some sales in the domestic market.

An official spokesman hoped that the large purchase order would enable some of the 13 mills now closed to resume their operations.

The orders should help the Jute Corporation to plan its price support purchases for the new season beginning next July.

The chairman of the Indian Jute Mills Association, Mr. Suarman, who sees the sacking purchase order as a shot in the arm for the industry, says that it will also have a beneficial effect on the jute market as a whole.

In fact prices in the gunny market, once in a depressed state, have started looking up. Meanwhile trade estimates of the current raw jute crop have been revised downwards to 7m bales—half a million bales lower than the forecast a few months ago.

## Malaysia to close livestock authority

By Wong Sulong in Kuala Lumpur

THE MALAYSIAN government is to close its national livestock authority, Majuternak, effectively ending the country's efforts to create a modern, large scale beef and dairy industry.

Agriculture Minister, Mr. Mahan Ghuman, told parliament yesterday that the government had decided to close the authority as it was not achieving its objectives and was losing a lot of money.

The decision would affect mainly Australian and New Zealand cattle suppliers, as Majuternak imported several thousand head of cattle annually.

Majuternak was established 10 years ago to promote modern beef and dairy farming, but its mandate to produce and market was considerably duplicated and rivalry with the veterinary department.

The authority's cattle importation and cross-breeding programme came under constant criticism for the lack of tangible results, but it was the authority's beef marketing operations that finally forced the Government to take action.

Over the past three years, the authority had to spend over \$30m to subsidise beef sales and this pushed its heavily indebted Malaysia's livestock industry has been one of the weak areas in the country's agricultural sector. Taking 1975 livestock production index at 100, government figures showed that in 1980, indicating a sharp drop in beef production, since there had been good growth in poultry and pig output.

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# FINANCIAL TIMES

Friday March 19 1982

**BELL'S**  
SCOTCH WHISKY  
**BELL'S**

## U.S. rejects Soviet move on arms reduction

BY BRIDGET BLOOM, DEFENCE CORRESPONDENT

THE Soviet Union has proposed an arms control agreement which, despite phased reductions in nuclear weapons, would still leave its SS-20 missiles deployed against Western European countries in 1990.

The proposal has been tabled at the Geneva negotiations between the U.S. and the USSR, which opened in November last year. The talks are designed to limit the spread of nuclear weapons in Europe.

The Soviet proposal has been rejected by the U.S., which has

put forward a draft treaty embodying the so-called zero option announced by President Ronald Reagan in November. The U.S. offered to undertake not to deploy its controversial new cruise and Pershing missiles in Europe in return for the dismantling of the SS-20s.

After four months of talks, which have been veiled in secrecy, the two sides appear as far apart as ever. Earlier this week the two delegations in Geneva agreed to a two-month recess. Negotiations will reopen on May 20.

According to sources close to

the U.S. delegation, the essence of the new Soviet proposal, is that the independent British and French nuclear forces, and a reduced number of U.S. nuclear-capable aircraft in Europe, will, by 1990, balance the 300 SS-20 medium range nuclear missiles which the Soviet Union has deployed east and west of the Ural mountains.

In its new proposals the Soviet Union has argued that a balance exists between Nato and Soviet nuclear forces in Europe. It maintains that each side has just under 1,000 "nuclear systems." It proposes that these should be reduced in two phases,

leaving each side with 300 systems by 1990.

The U.S. Government, backed by the Nato alliance, contests the Soviet notion that a balance of forces exists in Europe.

Nato's decision to deploy 572 Cruise and Pershing missiles from 1983 was designed in part to counter what the Western Alliance sees as the growing imbalance resulting from the SS-20 deployment.

Western sources say Soviet tactics at Geneva are designed to remove the U.S. "nuclear shield" from European countries in Nato, leaving them wide open to Soviet military and

political pressure.

Officials are concerned that public opinion in the West should not be misled into believing that President Ronald Reagan's latest offer to freeze deployment of SS-20s is either a new or a particularly hopeful move.

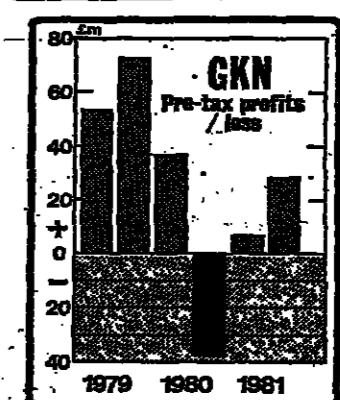
Sources close to the Geneva negotiations believe that some progress has been made, however. They say both sides seriously want an agreement, and point out that four months is too soon to expect an accord to emerge.

U.S. warns on missiles for Cuba, Page 5

THE LEX COLUMN

## End of the line for Stone-Platt

Index rose 5.4 to 556.8



More distinguished if less spectacular than Laker Airways, poor Stone-Platt joins it on the list of quoted companies "rescued" by an equity injection last year. In the mid 1970s Stone-Platt had a reputation for excellent management, and it has fought doggedly for its life over the last two years. But it has been an exceptionally disadvantaged corporate citizen of an oil-producing Britain in recession. Export orientation, the manufacture of capital goods for sale to the textile industry have added up to a formidable handicap.

The rot set in in 1979, when a breakdown of management controls in the textile machinery business threw a

whole division into loss and occasioned heavy extraordinary write-offs. At the end of the previous year the group had had gross borrowings of £26m against shareholders' funds of £80m. An attributable 1979 loss of £17.5m, combined with a £15m cash outflow, triggered protective clauses on some bank loan covenants and gave the company its first experience of holding a consortium of lenders together. Even that skill proved insufficient in the end.

Since 1980 the group has been forced to reduce borrowings by selling assets or closing cash-absorbing businesses, a policy which has brought heavy write-offs of equity as book losses on the sales have justified with reorganisation costs below the line. A £10m equity injection last year did no more than give a breathing space; it might have worked had losses been eliminated instantly on the back of higher sales volumes. As it was, the group stayed in loss in the second half of last year, and the attributable losses—including £8m of closure costs at the Bolton factory—reached £15m, for a total of £47m in three years.

By now the protective diversification that had made it possible for a medium-sized company to stay in the highly cyclical textile machinery business had been to a large extent undone by asset sales, and withdrawal from the mainstream Platt Saco Lowell subsidiary had become a prudent necessity. But the sale of PSI—which had been arranged at £20m below book value—would have blown the balance sheet to bits again.

Recombinations against the banks by the equity institutions have already started, a bitter reflection of the inadequacy of the last year's recapitalisation. The

simple fact remains that no one was prepared to put up money to tide Stone-Platt over the next six months, after which time if all had gone well—another rights issue might have been cobbled together. In the meantime supplier and customer confidence was waning, and it must have become difficult for the banks to respond encouragingly to inquiries about Stone-Platt's standing.

The outcome is highly embarrassing for Equity Capital for Industry, which seems to live on the wrong side of the risk/reward ratio as well as for Midland Bank, lead bank to both Stone-Platt and Laker, and due to report 1981 figures today. The banks taken together may end up losing roughly £15m.

Hindsight will not help Stone-Platt, but it suggests a general lesson. From the vantage point of 1982 it appears that the only way to have saved the company would have been complete and immediate withdrawal from textile machinery at the beginning of 1980. This course of action—which would have required new capital then—was turned down on the grounds that it would have been wrong to abandon the core business, the traditional centre of the group. But to sell off strong businesses such as the pump division to support the Lancashire mills was ultimately suicidal.

GKN

The preliminary figures from

Guest Keen and Nettelfolds provide some reassurance that

British industry is on the right

tack after Wednesday's disappointing announcement from

Turner and Newall. With the bulk of the UK reorganisation

behind it, GKN's trading profits doubled between the two last years and, for the full 12 months, the group has turned a pre-tax loss of £12m into a profit of £34.6m.

The real bounce has come from the UK, where roughly £140m of annual wage costs have been eliminated over the past two years. After a pre-tax loss of about £10m during the first six months, the UK was probably just above break-even in the latter part of the year.

The surgery is not over yet but this year's reorganisation will consist largely of divestments, so future write-offs should mostly end up below the line. The UK will again contribute most of the improvement, unless the U.S. economy shows a miraculous upturn. At present, the recession in Michigan is keeping the new joint plants just the wrong side of break-even and GKN cannot again count on translation gains, which added close to £3m at the pre-tax level last year.

On sales of almost £2bn, it is fairly futile to predict what GKN will make this year. The real issue is in any case not profits, but cash. The group will have to work very hard to dispel the idea that a rights issue is just around the corner once demand revives.

The published gearing ratio has actually fallen slightly during 1981; net debt represents just under half of net worth. But the containment of gearing owes a great deal to non-recurring and cosmetic items. The deconsolidation of Allied Steel has removed around £20m of debt and the company now appears as an investment at book value. Considering that Allied lost GKN about £8m last year, this is perhaps not very conservative.

The group has shaken about £22m out of working capital, after adjusting for Allied, but the scope for a further reduction relative to sales must be very limited. GKN has also taken the opportunity to revalue its properties. The surplus of £36.6m is not out of the way, but looks a little odd when GKN keeps disposing of businesses at a book loss.

All in all, there seems little chance that GKN will improve greatly on last year's gearing. With a capital spending budget of between £80m and £100m in the current year, shareholders must count on some cash raising exercise before long. The shares offer a large, unearned yield of only 7.2 per cent on last night's price of 163p, and some may decide not to wait around.

## Banks increase lending to private sector

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

BANK LENDING to the private sector increased by £1.98bn in February compared with an average rise of £1.5bn a month since last August, according to the latest banking statistics issued yesterday. In the first half of last year the average monthly rise was less than £500m.

The high rate of lending to private sector companies and individuals continues to cause concern to the authorities, although the Bank of England pointed out the effect of the tax-

MONEY SUPPLY		
	annual percentage increase (to February 1982)	
M1	8.7	
Sterling M3	14.4	
PSL1	13.7	
PSL2	12.1	

paying season on the total.

The extent to which companies have been increasing borrowing to pay back taxes,

including the taxes held up by last year's civil servants strike, is not known.

During the banking month of February sterling M3, the broad definition of money supply, remained almost unchanged. After seasonal adjustment the annual rate of growth was reduced to 14.4 per cent. As the Chancellor admitted at the time of the Budget, however, there is no prospect that the growth of this aggregate will be within the Government's target range of 6 to 10 per cent for the year to April.

The Treasury says that the growth of sterling M3 has over-

emphasised the true state of the money supply during the year.

The figures also show that the non-banking sector bought £1.19bn of Government debt during the month. Of this total gilt-edged stocks accounted for £370m, National Savings £340m and Certificates of Tax Deposit £480m.

There was a net outflow of foreign currency of £160m in the month.

## Tory rebels vote against Government on benefits

By Elinor Goodman

THE POST BUDGET truce in the Conservative Party over the handling of the economy was broken last night when at least 17 Tory MPs refused to support the Government over its plans for short-term social security benefits. Thirteen backbenchers voted with the Opposition, while at least four deliberately abstained.

The vote was over the Government's refusal to restore the 5 per cent cut in the value of short-term benefits, like unemployment pay, made two years ago as an alternative to taxing them.

An Opposition amendment was defeated by 148 votes to 118, giving the Government a majority of 30. But the rebellion was a major blow to its hopes of presenting a united party to the voters of Glasgow Hillhead, which goes to the polls in six days time. It could force the Government to reconsider the issue.

The rebels were led into the lobby by Sir Ian Gilmour, the former Lord Privy Seal, and included the former junior Employment Minister, Mr Jim Lester.

Short-term benefits will start being taxed this July, and Labour, backed by the rebel Tories, argued that the Government had given a clear impression to the House when the original 5 per cent cut was introduced two years ago that it would be restored once this happened.

Restoring the cut would cost £60m in a full year, Mr Hugh Rossi, the Social Services Minister, insisted that the Government could not afford to make such a change now.

Tory revolt, and walkout Health pulls in the crowds, Page 10

## Companies and council consider aid for Brixton

By Lisa Wood

SEVERAL large companies, including Marks and Spencer and Boots, have joined Lambeth Council in south London, and some financial institutions to try to launch a major initiative in one of Britain's most depressed inner city areas.

The initiative, to be launched in Brixton, will be the first attempt to co-ordinate efforts aimed at tackling inner city problems by the local authority, local organisations and the private sector.

It follows the increasing concern about conditions in the inner cities aroused by last year's riots, and is the outcome of a series of meetings including discussions between Lord Bellwin, Parliamentary Under-Secretary at the Environment Department, and Mr Ted Knight, leader of Lambeth Council.

In Liverpool, where serious disturbances also took place, a team of Government and business representatives was set up. Called the Liverpool Task Force, it is examining Government spending in the area. At the same time, there has been a growth in local enterprise agencies in which businesses help promote the creation of small companies. But neither of these initiatives bring the three elements together like the planned Brixton move, though the Government is expected this summer to announce a scheme linking public sector and private money to fund inner city developments.

Those involved in the Brixton initiative—to be called Brixton United—were anxious yesterday to emphasise that the project was still at a very early stage. The terms of reference for the joint task force have not yet been drawn up, and there is also concern that the local community is fully involved.

A major partner in the project is the London Enterprise Agency, set up four years ago by nine big industrial and financial groups to aid small companies in the capital.

The Enterprise Agency said that it was hoped Brixton United would act as a catalyst, putting commercial ventures together and then attracting funding.

## Gill threatens ACC directors with legal action over pay-off

BY JOHN MOORE, CITY CORRESPONDENT

MR JACK GILL, Lord Grade's former right-hand man, moved yesterday to speed the payment of his record £560,000 golden handshake from Associated Communications Corporation.

Mr Gill, who was removed from the ACC board last year by Lord Grade and other directors as the group's deputy chairman and managing director, is seeking an early meeting to gain the directors' approval of the pay-off. If they do not give approval, he may take legal action against ACC directors.

Payment of the compensation to Mr Gill has been blocked by legal action taken by the Post Office Staff Superannuation Fund and other institutional shareholders.

The action by the institutions is still outstanding against ACC, which is the subject of a takeover battle between business interests of Mr Robert Holmes a Court, the Australian businessman, and Mr Gerald Ronson's Heron Corporation.

Four meetings of the voting

shareholders have been called to consider the payment and each time they have been adjourned.

The latest of these extraordinary general meetings was held yesterday and adjourned until April 20. Sir David Napley, Mr Gill's lawyer, urged that it be reconvened as soon as possible for directors to consider the payment.

Sir David said he intends to approach the High Court soon to ask for the directors to be released from their undertakings in earlier court action to continue to adjourn the meeting.

Five ACC directors, including Lord Grade, have already pledged that they will vote their shares—representing 45.3 per cent of the voting equity—in favour of the payment.

Sir David warned after the meeting that if directors of ACC refused to approve the compensation package, "that would result in an action by

Mr Gill."

He said that if the directors continued to adjourn the meeting, he would have to consider an action by Mr Gill against the directors who undertook to vote in favour of the payment.

Sir David said Mr Gill still is receiving "certain benefits," including a car and a chauffeur and the outgoings on his house until the compensation conflict was resolved. He is receiving no salary.

ACC directors held a board meeting yesterday to consider a profit forecast for ACC's financial year which ends this month. Losses are expected to be running at more than £30m. ACC last year recorded a profit of £2.6m.

Mr Gill's compensation package includes the option to purchase a £275,000 house at £109,000 below market value, and interest payments of 6.25 per cent a year per annum on the £560,000 payment until it is completed.

## GKN returns to profit Continued from Page 1

The UK workforce at the end of 1981 was 42,000. About 4,000 also left the GKN workforce last year with the formation of Allied Steel and Wire by GKN and the British Steel Corporation.

Speaking in London yesterday, Sir Trevor Holdsworth, GKN chairman, did not rule out further redundancies in the current year, 803 have already

been provided for. He did not envisage their being on the scale of the past two years, however, but forecast that there would be continued restructuring, mainly as a result of disposals of interests peripheral to GKN's mainstream activities.

Although there have been many improvements in UK operating efficiency, Sir Trevor

described the overall result of a £13m trading surplus on a turnover of £1bn as "still unsatisfactory." The major UK automotive components business is still losing money, while in the U.S. there is uncertainty about the duration of the severe downturn in demand for automotive components from GKN's two new factories.

## Stone Platt receiver Continued from Page 1

ment were said to be prepared to subscribe between £5m and £7.5m of new equity next autumn.

The four clearing banks involved, headed by Midland, took the view that the institutions had tied too many conditions to their commitment for future support, and more important, that Stone-Platt's financial position was irretrievable.

On clearing bank calculations the group's debts were heading for £40m and shareholders' funds might have been reduced to some £15m following disposals.

They said that from the beginning of this calendar year Stone-Platt's borrowings should have represented no more than 95 per cent of net assets.

Midland Bank is believed to have written off the cost of its support for Stone-Platt as a provision in drawing up its annual results, which the bank reports today. The four clearers are understood to have lost a combined £15m in supporting Stone-Platt.

Equity Capital for Industry, the investment group owned by the banks and the pension funds, echoed the views of all four institutions.

Mr Brian Dean, the investment director, said: "I am shocked and dismayed that the banks should have run away after all the time and effort and money spent in the last two years and when a solution to the group's problems was beginning to emerge."

Mr David Tucker of M and G said the bank's action "must make us much more reluctant ever to do anything like this again."

Stone-Platt's electrical division which makes profits of some £3m annually and has significant contracts for rail and underground systems throughout the world, is already the subject of three bid approaches.

operations earlier in the month, it was pointed out.

The Bundesbank introduced its "special Lombard" rate in February 1981. In a spectacular move to defend the D-mark on the foreign exchanges, the central bank dropped its normal procedure for automatically lending funds to the bank through the Lombard rate (then 9 per cent) and announced a "special Lombard" rate of 12 per cent.

The decision helped to send German interest rates to peak levels for much of last year. In October, the central bank signalled a turning-point in its monetary policy, cutting the special Lombard rate to 11 per cent.

Foreign exchange traders reported that the special Lombard announcement did not result in renewed pressure on the D-mark against the dollar. The markets were prepared for the Bundesbank action through the central bank's open market

## French franc falls sharply Continued from Page 1

0.4 points to 91.1, against the Bank of England's trade-weighted basket of currencies. The pound closed unchanged on the day against the dollar at \$1.51.

The French Government evidently believes that the impact of the 8.5 per cent effective devaluation of the franc against the DM last autumn has not been dissipated, despite the considerable gap in inflation of the two countries.

It blames the recent pressure on the franc on withdrawals by foreign investors, and speculation on the tense political period around the cantonal elections, due to finish on Sunday.

The lifting of the money market rates, however, could endanger its aim of lowering

borrowing costs to industry. Although there were no immediate signs yesterday of the banks raising base rates, now 14 per cent, these would have to go up as well if the high cost of money is maintained.

The decision by the West German central bank, the Bundesbank, to lower its special Lombard rate—the rate it charges banks for short-term funds—from 10 per cent to 9.5 per cent, was widely anticipated.

The Bundesbank has been gently easing German money market interest rates down through open market operations. Improving inflation figures, and signs that this year's wage round will result in wage increases below the anticipated rate of inflation, have helped to create

room for the Bundesbank to manoeuvre.

Day-to-day money rates are expected to settle around the 9.50 per cent mark in Frankfurt for two weeks, against the background of falling money and capital market rates. German banks have been reducing their loan charges to customers. But some bankers are warning against excessive optimism about the prospects for further rapid falls.

Foreign exchange traders reported that the special Lombard announcement did not result in renewed pressure on the D-mark against the dollar. The markets were prepared for the Bundesbank action through the central bank's open market

## Weather

UK TODAY

COLD. Showers in most places, wintry on hills. Sunny intervals.

Scotland, N. Ireland. Scattered sunny periods. Scattered showers, wintry on hills. Max. 6C (43F).

N. England. Bright intervals. Mostly dry. Showers in east later. Max. 6C (43F).

Rest of England and Wales. Cloudy. Occasional rain, falling as sleet or snow on high ground. Max. 5C (41F).

Outlook: Sunny intervals in most parts, some wintry showers in east. Cold with night frosts.

WORLDWIDE

Y'day midday Y'day midday

Ajaccio C 12 F 55 L. Anz. R 6 48

Algiers C 12 F 55 L. Anz. R 6 48

Amst. C 12 F 55 L. Anz. R 6 48

Ant. C 12 F 55 L. Anz. R 6 48

Batavia C 12 F 55 L. Anz. R 6 48

Bombay C 12 F 55 L. Anz. R 6 48

Buenos Aires C 12 F 55 L. Anz. R 6 48

Cairo C 12 F 55 L. Anz. R 6 48

Canton C 12 F 55 L. Anz. R 6 48

Cebu C 12 F 55 L. Anz. R 6 48

Colon C 12 F 55 L. Anz. R 6 48

Hankow C 12 F 55 L. Anz. R 6 48

Hong Kong C 12 F 55 L. Anz. R 6 48

Kobe C 12 F 55 L. Anz. R 6 48

London C 12 F 55 L. Anz. R 6 48

Lyons C 12 F 55 L. Anz. R 6 48

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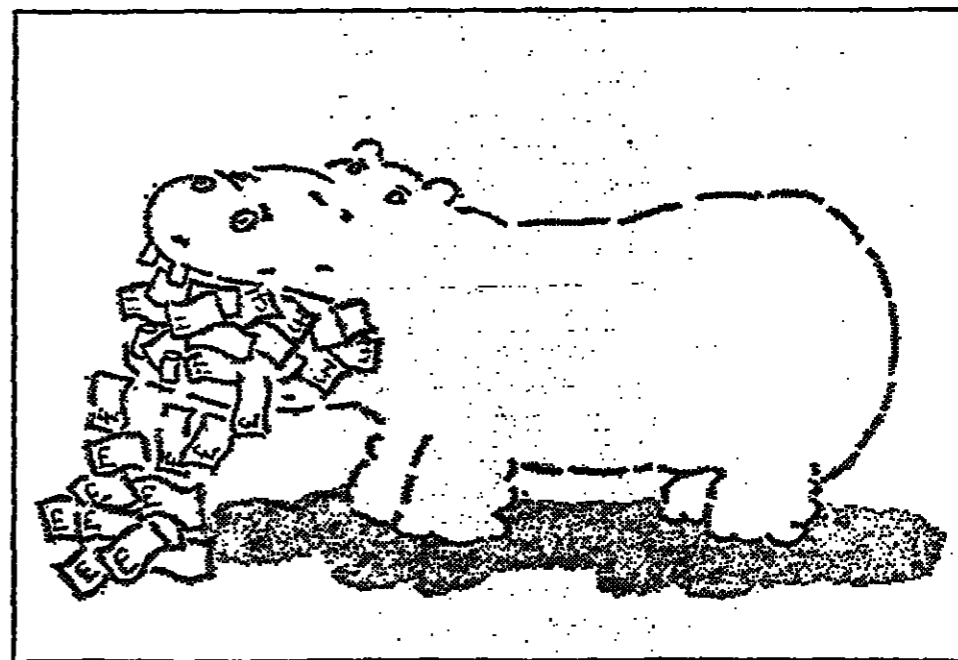
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Tientsin C 12 F 55 L. Anz. R 6 48

Yokohama C 12 F 55 L. Anz. R 6 48

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